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FINANCIAL TIMES

Enterprise Oil raises stakes in bid for Lasmo

Europe's Business Newspaper

Enterprise Oil raised the stakes in its hostile bid for rival explorer, Lasmo, with a revised all-share offer valuing the group at £1.59bn (\$2.38bn). It was clear from the revised terms and lack of a cash element that Enterprise has been under pressure from its own shareholders not to push its terms too far. The decision also paves the way for an alternative bidder to emerge. Page 15; Lex. Page 14

Row over British army tanks: It was "scandalous" that three quarters of the British army's main battle tanks in Germany were under repair when the Gulf war broke ont, a UK parliamentary committee said. Page 14

Call for more deregulation in Japan: The Keidanren, Japan's most powerful business federation, stepped up its campaign for more economic deregulation amid the latest signs of a corporate recovery. Page 14

USAir, the troubled US carrier, said it would seek pay and benefit cost-reductions of \$500m from employees as part of a plan to reduce annual operating expenses by \$1bn. Page 15

Berlusconi to sell Mondadori stake: Italy'a prime minister, Silvio Berlusconi, should raise L990bn (\$611m) through the sale of a 53 per cent stake in Mondadori, the company which groups his book and magazine publishing interests.

Metropolitan Life and Travelers, the US insurers, bave reached agreement on combining their health insurance businesses in a joint venture company, Page 15

Cott Corporation, a Canadian soft-drink company, is giving Coca-Cola and Pepsi their stiffest competition in many years. Page 15; Upstart Cott shakes cola kings, Page 18

Fugitive Botnar paid £3.81m last year: Octav Botnar, chairman



of Nissan UK for whom an arrest warrant has been outstanding for the past 21/4 years, was paid £3.81m last year in his role as chairman of Automotive Financial Group Holdings, which owns AFG, one of the biggest UK motor dealer groups. Botnar, 80, is alleged

to have been the principal conspirator in the largest corporation tax fraud in UK history. Page 16; AFG tumbles to £21.2m loss, Page 24

US consumer spending slows: The pace of US consumer spending slowed last month and inflationary pressures remained modest, official figures indicated. Page 7

Boun bids for world trade HQ: Germany submitted its formal offer to site the World Trade Organisation in Bonn. Page 6

G3 sign free trade deal: The presidents of Colombia, Venezuela and Mexico - the Group of Three nations - signed a deal to phase in a free trade pact over 10 years and create a common market of 140m people. Page 6 London to bear brunt of rail strike: A

24-bour stoppage on Britain's rail network began last night. Page 8; Editorial Comment, Page 13 Chernobyl fears cloud EU-Ukraine pact: European Union fears about the safety of the Chernobyl nuclear plant overshadowed the signing of an EU-Ukraine partnership and co-operation

Fears of renewed Kurdish violence: The killing of at least 12 people during a funeral procession in northern Iraq has raised fears of new violence between rival Kurdish groups, threatening

Siemens wins UK power contract: National Power, the UK's privatised electricity generator, has awarded Siemens of Germany a contract to build a 1,350MW gas-fired power station at Didcot, southern England. Page 8

a 10-day-old ceasefire. Page 4

STOCK MARKET INDICES

FT-SE 100: ______3,039.6

Selling condoms in the Philippines: Selling condoms to some of the world's most devout Roman Catholics sounds like an impossible task, but Dr Juan Flavier, health secretary of the Philippines is successfully spreading the gospel of family planning, Page 5

Henry Mancini: Composer Henry Mancini died, aged 70, in California of complications from liver and pancreatic cancer.

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Clinton announces reforms of welfare system

By George Graham in Washington

President Bill Clinton yesterday unvelled a reform package intended to turn the US social safety net into "a pay

cheque not a welfare cheque".

The reform proposals, expected to cost around \$9.3bn over five years, would expand education, training and child-care for the poor. But it would also require people who have received welfare benefits for more than two years to enrol in a work programme in return for

A relatively modest portion of the overall US social safety net would be affected by the proposals, which are an

attempt by Mr Clinton to keep his 1992 campaign promise to "and welfare as we

The main target is Aid to Families with Dependent Children, a programme for parents with young children, virtually the only federal government programme paying cash benefits to healthy people who have exhausted their unem-ployment benefits or never held a job.

AFDC pays an average of \$376.88 a month to around 5m families, the amount depending on how much each state pays to supplement the federal portion. Under the plan, anyone who turned down a job or did not make adequate efforts to look for work could have pay-

When working would cost too much,

ments halted. The reforms will affect recipients born after 1971, and the White House estimates that by the year 2000 fewer than one welfare recipient in 12 would be enrolled in the mandatory

work programmes. However, the scope of the programme, likely to be substantially changed in Congress, has already been halved from an earlier draft. This is because US budget rules require any additional spending on areas such as welfare to be offset either by higher taxes or by cuts in

other such entitlement programmes. In paying for the programme, higher taxes were ruled out by Mr Clinton, so the training, work programme and child-care elements of the reform plan are to be paid for largely by cuts in other welfare programmes - chiefly by withdraw-ing benefits from legal aliens and hy limiting assistance to the homeless.

Mr Clinton's pledges on welfare dur-ing his election campaign helped to label him as a "new kind of Democrat" and win back some middle class voters.

The Republican party has also presented welfare reform proposals in an effort to win back the political high

on the congressional agenda for the more ambitious reform of the bealthcare system which Mr Clinton has made his top priority. Most members of Congress believe it is now too late for a serious

attempt to pass legislation this year.
Two reasons for publishing the reform
plan now are widely suggested in Washington. One is to appease Senator Daniel Moynihan, the chairman of the Senate finance committee, who is crucial to Mr Clinton's healthcare plan but who is more firmly fixed on the welfare system. Second, it will provide Democratic candidates with something to stand on in November's congressional elections

\$4bn stake in Sprint planned

US telecoms alliance for France and Germany

By Andrew Adonis

Plans for an ambitious global telecommunications alliance between the French and German state-owned operators and Sprint, a US company, were unveiled yesterday, heralding a bitter reg-ulatory battle in the US.

France Telecom and Deutsche Telekom intend to pay \$4.2bn for a 20 per cent stake in Sprint, the third-largest long-distance carrier in the US. The three will establish joint ventures targeted at the communications needs of multi-

AT&T, the largest US operator, yesterday urged the US govern-ment to block the alliance unless France and Germany agree to open their markets to competition before the 1998 deadline agreed by the European Union last year. The European state operators would strongly resist

such a move. The link-up is the second multi-billion dollar international telecoms venture to have been launched in the last year. It resembles the deal forged by Brit-ish Telecommunications and MCI, the second largest US car-rier. BT has pledged \$4.3bn for a 20 per cent stake in MCI, and a further \$750m to establish a joint

venture company. The BT-MCI alliance will this week gain final approval of the US Department of Justice, after a year-long investigation.

However, the Franco-German alliance with Sprint is set for a more fraught regulatory battle because of the relative size of the operators and the fact that,

unlike BT. France Telecom and Deutsche Telekom enjoy a monopoly over most telecommunications services in their respec-

Mr Victor Pelson, chairman of AT&T's global operations, said: "The French and German markets are two of the most closed markets in the world for telecoms service and equipment. They should provide full access before this deal is allowed."

The French and German com-

Page 14 Franco-German pact defies sceptics

Eculhn alliance between Deutsche Telekom and France Telecom signed last December, which

tive countries.

.....Page 20

panies insist that the alliance will offer services only in sectors already open to competition in their home markets, such as calling cards, data networks and pri-vate corporate networks. Mr Hel-mut Ricke, chairman of Deutsche Telekom, said: "We are sure that we will receive regulatory approval otherwise we would not have signed."

However, last month the Federal Cartel Administration in Berlin reported that Deutsche Telekom had channeled subsidies totalling DML9bn (\$1.13bn) into its data networks division since data services were opened to competition in Germany in 1989. The company claims that the cross subsidies have ended

The Sprint deal builds on an



heightened in the row over nuclear inspections in North Korea. A country-wide drill is planned for today, Report, Page 14

Former BCCI executives jailed

By Andrew Jack

Twelve senior executives of the collapsed Bank of Credit and Commerce International were yesterday sentenced in Abu Dhabi to serve a combined total of 61 years in prison and ordered to pay \$9bn for their involvement in one of the biggest frauds in

history. The verdicts marked the end of the first trial to examine the role of the most important figures involved in allegedly defrauding hundreds of thousands of creditors, depositors and employees of more than \$12bn in the decade before BCCI was closed by regulators in July 1991.

Mr Swaleh Naqvi, BCCI's former chief executive who is on trial in the US, received in his absence the heaviest sentence of 14 years.

Mr Agha Hasan Ahedi, the founder and president of BCCI, who is ill in Pakistan and is Continued on Page 14 | unlikely to be extradited, was

sentenced in his absence to 8 years' imprisonment.

Others in detention in Abu Dhabi received sentences ranging from three to six years, while one defendant who has been on ball was acquitted. Mr Ziauddin Ali Akbar, former head of BCCI's treasury division, was given three years, though he is serving six years in England on 16 counts of false accounting involving more than \$745m.

guilty to pay back \$6.56bn stolen from the private department of Sheikh Zayed bin Sultan al-Na-hyan, the ruler of Abu Dhabi, \$1.35bn from the Ahu Dhabi Investment Authority, \$1.22bn

and to pay costs.

Mr Vivien Ambrose, chief representative of the BCCI Staff Association, said: "These sentences are very light. The plight

from the Finance Department,

remains unsolved and is going to drag on for years." Mr John Moscow, an assistant district attorney for New York County, which has charged Mr

Naqvi and Mr Abedi, said that the sentences appeared to be "relatively light", given the magnitude of the charges.

Continued on Page 14 BCCI struggle continues, Page 4

Foreign investment surge in

China's foreign investment surge appears to be slowing, after a year of hectic growth when the contracted value of new agreements exceeded the total invested during the 14 years of Beijing's market reforms.

The state administration for period last year.

eign investment and in funds used, the official China Daily reported. Detailed figures were not made available. Mr Hou Lin, head of the state

funded enterprises, attributed the marked slowdown in the numbers of new ventures to changes in the tax law which reduced

duty-free cars. This privilege was suspended last year. Other fac-tors included tighter credit poli-cles in China itself – aimed at

ing foreign investment. China's gross national product in 1993 grew by 13 per cent. This compares with 12.8 per cent in 1992. The authorities are seeking to slow the economy to 9 per cent growth this year.

quarter by about 50 per cent, numbers of wholly foreign-owned companies grew by 6 per cent. This is part of a trend under more liberal foreign investment policies now in place. Foreign-contracted investment

in China surged last year to 83,000 projects valued at \$111bn. Actual utilised investment reached \$25.8bn, an increase of 134 per cent over the year before. The state administration reported that there were 187,000

foreign-funded husinesses in China by the end of last year. Hong Kong accounts for about two-thirds of the investment, but a new trend involves the US, Japan and South Korea in increasing numbers of largerscale projects. Much of the investment from Hong Kong and Taiwan is lodged in smaller

ventures decreased in the first enterprises. CONTENTS inti. Cap Mids ... Inc. Bond Service . __30-34 In Business

China slows in first quarter

By Tony Walker in Beijing

industry and commerce (SAIC) said yesterday that the number of newly established foreignfunded enterprises was down by 43.6 per cent to 10,739 in the first quarter, compared with the same There was also a 50 per cent drop in both newly pledged for-

office's register of new foreign-

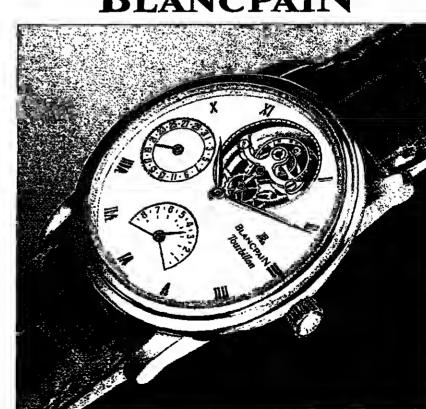
preferential treatment. In the past, thousands of joint ventures were established to

enable the partners to import calming an overheating economy - and competition from neighbouring Asian countries, such as Vietnam, which are actively seek-

While the number of new joint

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FT correspondents report on fallout from last weekend's European election

Presidential ambitions fanned on French right

Squabbting broke out yesterday within France's gov-erning RPR-UDF coalition over the likely candidate for next year's presidential election. A group of 27 deputies threatened to break away from the parliamentary group of their centre-right UDF federation, in an evident move to back Mr Edouard Balladur, the

Last night, the 27 were persuaded by the leadership of their Republican Party to suspend their planned breakaway pending a party conference on

June 26. The rekindling of presiden-tial rivalries within the conservative UDF-RPR coalition fotlows the poor showing by Mr Michel Rocard, leader of the Socialist party, in the European elections. Mr Rocard

resigned the leadership of the

party eight months ago "to make way for new blood" and

said at the time he had made

run in the European elections.

"an absolute decision" not to

Ms Harney was subse-

quently elected party leader, defeating a challenge from Mr

Cox. Then, earlier this year, she asked Mr O'Malley to

reconsider his decision and to

take over Mr Cox's seat. This

sion to run as an independent.

The two were neck-and-neck

as the successive vote trans-

gained only 14.5 per cent of the vote for his Euro-Socialist list and now looks easy to beat next year. This has encouraged several candidates on the right

to enter the field against him. Earlier yesterday, the 27 dep-uties pledged themsetves to support a single candidate representing the RPR and UDF, while Mr Valery Giscard d'Estaing, overall leader of the UDF federation, has said he

announced late on Monday.

Nationally, the party only

cated that those party mem-

bers who had supported Mr Cox's campaign should now

resign. This could widen the

The PDs were formed in

1985 hy Mr O'Malley and Ms

Harney, after they were

expelled from Fianna Fail by

its then teader, Mr Charles

Haughey, for opposing his

hardline policy on Northern

Ireland, the contraceptive

Ms Harney yesterday indi-

polled 6.5 per cent.

spilt in the party.

The other factor behind yesterday's move was the Euro-election success of Mr Philippe de Villiers, whose anti-Maastriebt campaign split his Republican party. Most of the rebels are similarly Euroscep-tic, unable to stomach the notion of backing an old pro-European like Mr Giscard d'Estaing next year. The fact that

Mr Balladur is drawing UDF

istic stance towards Europe. For his part, Mr Balladur is maintaining a public show of having nothing to do with this internal politicking and of merely getting on with running the country. Next week he lays out plans for reforming social security and the budget and for following up his initiatives in Gatt and and in promoting European stability over

elected MEPs traded insults yesterday. Mr Bernard Tapie dismissed as "ridiculous inventions" claims hy Mr Thierry Jean-Pierre, an ex-magistrate who won a seat on the de Vil-liers list, that the Marseilles politician/businessman may be using money in foreign bank accounts to buy back, under others' names, the Olympique-Marseille football cluh he has been ordered to sell.



When the going was good: Desmond O'Malley, who failed to win

Irish political 'mould breakers' face the prospect of break-up

By Tim Coone in Dublin

The party which set out nine years ago "to break the mould" of Irish politics, the Progressive Democrats (PDs), looks to be on the verge of hreaking apart itself as a result of internal fending following its humiliation in the European elections, and the first poll defeat aver for the party's founder and former leader, Mr Des O'Malley.

Mr Mary Harney, the pres-ent leader, called the defeat as a "catastrophe". She has been criticised by some colleagues for her handling of the campaign, although senior party figures were yesterday ruling out a leadership challenge.

Mr O'Malley had been chosen by the party to defend its only seat in Strasbourg. That had been won in 1989 by Mr Pat Cox, the party's deputy leader, who had achieved the distinction of gaining more votes than any other candidate

he duly did, precipitating Mr Cox's resignation from the party last month and his deci-

German Free Democratic party

Owing to a transmission fault, yesterday's edition erroneously carried a list of German Free Democratic Party MEPs elected to the European Parliament. In fact, because the FDP scored less than 5 per cent of the vote in the elections in Germany, no MEPs from this party will sit in the new parliament.

final result, which gave the seat to Mr Cox, was only democracy.
It was Mr O'Malley's threat

to pull ont of the 1989-92 Fianna Fail-PD coalition over a saries of scandals that brought about Mr Haughey's downfall in January 1992. His subsequent public fight with Mr Albert Reynolds, who replaced Mr Hanghey as prime minister, over evidence they both gave to a public inquiry into the country's buge beef industry, then brought about the collapse of the coalition and precipitated the November 1992 general election. The report of that inquiry is expec-ted to be published shortly.

Ms Harney has been a formi-dable performer in parliament, frequently overshadowing Mr John Bruton, leader of the main opposition Fine Gael party. But the PDs' ambition to overtake Fina Gael as the main conservative voice in Ireland has now been seriously damaged by their Euro-



Search starts for Italian left-wing party chief

By Robert Graham in Rome

Mr Achille Occhetto's successor as the head of the former communist Party of the Democratic Left (PDS) will be chosen by the party's 480-strong National Council, it was

Monday in the wake of the European elections in which the PDS fared badly.

Mr Occhetto had been under pressure to step down since the March general election, but the timing of his move - and the hitterness of his resignation note - caught many of his colleagues by surprise.

The PDS, formed in 1991 and the largest opposition party, has procedures, as yet untested, for electing the leadership in circumstances such Mr Occhetto resigned on communist party leader for personal or political reasons is unprecedented. The former communist party's tradition is embedded in the PDS psychologywhere the secretary-general's departure is only envis-aged for 'objective reasons'.

unpredictable and hard-fought. The most unpredictable element will be the rote of the National Council, which, for the first time, will have to facilitate a democratic leader-

Mr Stefano Rodota, one of the father figures in the PDS, was quoted yesterday as saying it was not simply a question of replacing Mr Occhetto. but the entire top tier of the party. The implication was that they were all Identified

The contest to replace Mr with the past of excessive con-Occhetto is expected to be both trol at the centre of the comtrol at the centre of the communist party.

Under Mr Occhetto the PDS was steered towards a social democrat philosophy, similar to the Social Democratic Party Germany. But he failed to old communist voters and lost a sizeable rump to hardline marxists who formed Reconstructed Communism.

According to Mr Massimo Cacciari, PDS mayor of Venice and a possible contender for the leadership, Mr Occhetto's successor must be able to unite the left as a coherent attractive electoral force. Six groupings, from Greens to Socialists. formed the PDS-led Progressive Alliance in the election; in the new first-past-the-post voting system they stand little chance

left-wing parties was underlined yesterday by the resignation of Mr Ottaviano Del Turco from the leadership of the once powerful but now insignificant Socialist party; and by the resignation of Mr Willer Bordon from his role as co-ordinator of the Democratic Alliance.

Only a year ago the Demo-cratic Alliance seemed ready to act as an umbrella under which the parties could regroup on the left. Involving former Communists, Republiit failed to get off the ground because the PDS was not prepared to co-operate. Continuing differences suggest the Left will take a long time to reorgamise itself to challenge the right-wing coalition of Mr Sil-

Bundesbank stands by M3 as guide

in Frankfurt

The German central bank will continue to rely on money supply as a key guide to its monetary policy, but extra time may be needed to iron out recent distortions, Mr Hans Tietmeyer, Bundesbank president,

hinted last night.
The bank stood by the principle of its policy based on the M3 measure of monetary growth, he said. This did not exclude consideration of the special factors affecting M3, or fine-tuning including the "time horizon".

The issues would be discussed at the bank's mid-year M3 review next month, he said at an international banking gathering in Frankfurt.

Mr Tietmeyer's comments suggest the bank is seeking to damp widespread criticism that M3 has been discredited. that the bank's own credibility has suffered as a result, and that the measure should be

A recent study from Goldman Sachs, for example, attributed recent weakness in bond markets partly to the Bundesbank's "amhivalent" attitude towards M3 growth rates which this year have far exceeded its target range of 4-6 per cent. In April, the measure was still growing at 15,4 per

The hank had sharply reduced interest rates despite months of excessive monetary growth, while at the same time continuing to stress the inflalonary dangers of growing

The study said keeping the current target range unchanged until the end of 1995 was "the only theoretically clean and credible solution" to the bank's dilemma. The government's council of economic experts, the so-called five wise men" has often suggested that the current practice of setting targets for one year at a time should be

Extension of the 1994 target's time for the absorption into long-term investments of excess liquidity currently distorting the M3 data, and avoid the danger of a new 1995 target being disrupted from the out-

Although the t995 M3 target

December, the central bank may now feel that markets need more reassurance than has been available so far.

Until now, central bank officlais have tended simply to insist that MI must stay. Mr Tietmeyer again stressed that money supply targeting remained a key indicator in Bundesbank policy. Alternative atrategies practised elsewhere in countries which had given up targeting had yet to stand the test of time, he

While admitting the bank could not calculate the precise effects of the special factors distorting M3 at present, it was by no means in a state which others had experienced in the past where it could no longer make any sense of money supply growth, he added.

He was concerned that recent disruptions - starting back in 1990 with German unification - seemed to have affected M3's capacity as an effective indicator. But internal and external research had yet to suggest that tha long-term relationship between money supply and inflation had been altered.

Monotary targeting consti-tuted a part of Germany's stability culture which would not be easy to give up, he said.

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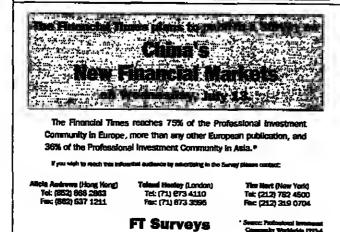
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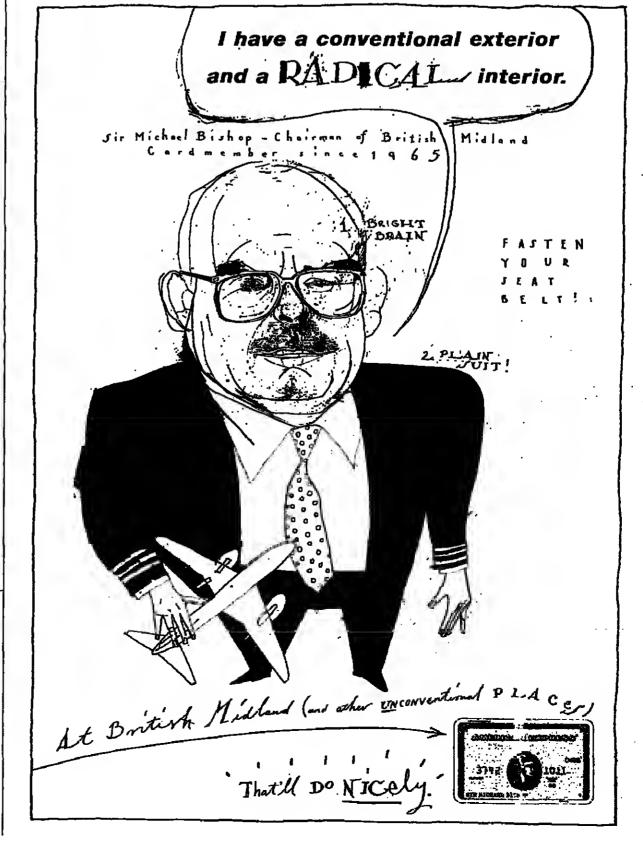
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EUROPEAN NEWS DIGEST

Berlusconi acts on pension fear

Mr Silvio Berlusconi, Italy's prime minister, yesterday held special meeting of economic ministers to discuss the impact of the constitutional court decision ordering payment of arrears on minimum pensions. The cost of making the payments in line with the court's decision was estimated to be L30,000hn (£12.36bn) by Mr Clemente Mastella, the labour minister. Mr Lamberto Dini, the treasury minister, said before the meeting he had no details of how the estimated L30,000hn cost had been reached, but admitted the pensions issue was a 'major

Mr Gino Giugni, a former labour minister, said yesterday the Berlusconi government had no alternative but to make the payments. However, he voiced surprise at the estimated cost. The previous Ciampi government, he said, had been aware of the impending court decision and had considered L16,000bn the upper limit. Both the stock market and the government bond market reflected continued nervousness because of the uncertain effect of funding the court decision on the public sector deficit. Robert Graham, Rome

Greece confident over blockade

Greece yesterday left a closed hearing at the European Court of Justice believing it had successfully defended its trade blockade of the former Yugoslav republic of Macedonia. For-eign ministry official Jannos Kranidiotis, who headed a team of five Greek lawyers trying to stop an emergency court ruling forcing Athens to lift the embargo, said the European Commission "did not bring any new elements" to the three-hour hearing. The EU executive had "failed to prove irreparable damage" was being done to the European Union as a result of the sanctions on Skopje. Mr Kranidiotis said. The Commission has to show irreparable damage if it is to get a ruling against the embargo. Greece banned trade with Macedonia and the use of its Thessaloniki port to pressure it into changing its flag and constitution, which Athens says implies territorial ambitions on Greece's own region of the same name. Mr Hans van den Broek, EU External Political Relations Commissioner, said it was now up to the court to decide. It is not expected to rule for two weeks. Reuter, Laxembourg

German retail sales down 6%

German retail sales fell a real 6 per cent during April, and were down 10 per cent on the comparable month last year, the federal statistics office said yesterday. Although the figures were distorted because the Easter shopping rush fell in March this year, economists said the decline confirmed expectations that shrinking real incomes were stifling private sector demand. The fall, widely forecast, followed an unexpectedly strong first quarter. The cumulative total shows real sales in the first four months were a real 2 per cent lower than in 1993. James Capel's London office calculated that combining March and April data, and thus discounting the effect of the early Easter holiday, sales for the two months were 4 per cent lower year-on-year. According to the statistics office only drugs, cosmetics and paper and printed goods have managed year-onyear increases in the first four months. Clothing sales were down 4 per cent and turnover from road vehicles fell 3 per cent. Mail order deliveries were unchanged in the period, but other leading outlets showed sales declines of between 3 and 5 per cent. Christopher Parkes, Frankfurt

New union federation chief

Germany's Federation of Trade Unions (DGB), under which the country's 16 unions are grouped, at its congress yesterday elected Mr Dieter Schulte as its new chairman in a move likely to usher in gradual reforms throughout the labour movement. Although Mr Schulte, 54, comes from the ranks of IG Metall, Germany's powerful engineering union, and the largest in the DGB, he is not expected to push the unions towards open confrontation with the government over its policies on unem ployment.

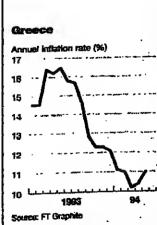
Mr Schulte, considered a pragmatist, will have to decide how the DGB's 11m members reconcile themselves with the slow shift away from centralised wage bargaining to more power being devolved to the works councils in separate enterprises. Of growing concern for the congress, which ends on Friday, is how it might respond to the consistent decline in union membership. Judy Dempsey, Berlin

Hungary may grow only 1%

Hungary's central bank yesterday admitted that its latest interest rate increase could hold back economic recovery. Mr Almos Kovacs, deputy president of the National Bank of Hungary, forecast that GDP would grow by just 1 per cent in 1994. The central bank's internal projection had been for output to bounce back by 2-3 per cent this year after falling by 21 per cent between 1989 and 1993. Hungary, burdened by a gross foreign debt of \$25.5bn, has been slower than Poland and the Czech Republic to emerge from the east Europe-wide recession. The NBH revised its economic outlook in the light of its decision last week to increase the base rate by three points to 25 per cent and raise "repo" rates by two points. The points to 25 per cent and raise reportates by two points. The monetary authorities acted to reduce a current account deficit which last year exceeded 10 per cent of GDP. The central bank called yesterday on the incoming Socialist-led government to play its part by cutting government spending. Mr Laszlo Bekesi, the likely finance minister in the new administration, has committed himself to introducing a restrictive mini-budget later this summer. Nicholas Denton, Budapest

ECONOMIC WATCH

Inflation on the rise in Greece



Greece's annual inflation rate rose to 11 per cent in May from 10.4 per cent the previ-ous month, according to offi-cial figures released yester-day. Monthly consumer prices went up by 0.8 per cent in May. As in April, the increase resulted from a new tax on heating fuel and higher food prices. Increases in household rents and clothing prices also contributed. The govern-ment's target of bringing the inflation rate down to 9.5 per cent by the end of the year now looks difficult to achieve. Although a devaluation was

sverted following last month's lifting of capital controls, the drachma is expected to depreciate against other KU currencies. Analysts said higher prices for imported goods over the next few months as a consequence of the drachma's recent depreciation, together with increased transport and utility prices, could add another one or two percentage points to the year-end rate. Kerin Hope,

■ Spain's consumer price index rose 0.2 per cent in May, keeping the annual inflation rate unchanged from April at 4.9 per cent, according to the economy ministry. The number of registered unemployed dropped for the third month running, by 57,000 to 2.68m or 17.4 per cent. David White, Madrid

Portugal's consumer price index, excluding rents, rose 0.2 per cent in May, compared with an increase of 0.6 per cent in per cent in May, compared with an increase of 0.5 per cent in April, the national statistics institute said yesterday. Average annual inflation was 6 per cent, unchanged from April, but down from 8.2 per cent in May 1993. Year-on-year inflation fell from 6 per cent in April to 5.7 per cent in May. Peter Wise,

Portugat

The Nederlandsche Bank, the Dutch central bank, lowered its key money market intervention rate yesterday to 4.9 per cent from 5 per cent, as it offered Dutch banks five-day funding under the so-called special advance facility.

Chernobyl fears cloud EU-Ukraine pact

Partnership agreement signed yesterday aims at eventual creation of free trade zone

Luxembourg and Jill Barshay in Klev

Mounting European Union fears about the safety of the Chernobyl nuclear plant in the former Soviet republic of Ukraine overshadowed yesterday's signing of a partnership and co-operation agreement aimed at reaching a common free trade zone by around the end of the century.

A similar accord with Russia is due to be initialled next week in Corfu at the summit of EU leaders. According to Mr Theodoros Pangalos, European affairs minister of Greece, current EU president, President

will sttend the meeting. Ukraine's President Leonid Kravchuk, in Luxembourg yesterday for the signing, said be regarded the partnership agreement as a first step towards eventual Ukrainian membership of the EU. He did not raise the question of nuclear security, EU diplomats

said. This is despite a letter to the Greek presidency from Chancellor Helmnt Kohl of Germany and President Francois Mitterrand of France, calling for action on Chernobyl to be "at the heart of our forthcoming summit".

Germany and France, with wide backing among their part-ners, want the summit to agree

overhaul of Ukraine's energy from a cooling pond where sector, to make possible an early shutdown of the Chernobyl nuclear reactors.

Mr Jacques Delors, European Commission president, told Mr Kravchuk that fears about Chernobyl had pushed it near the top of the EU agenda. "I think I can speak for all of us," he said, "that the only solution is the complete and rapid closure of this nuclear facility. Ukraine is stalling over clo-

energy sources and a large payment from the west. The nuclear power station is

sure while it seeks alternative

plagued with problems. Experts are currently searching for the source of a seven-

spent fuel rods are stored at reactor number 2. An official from Ukraine's nuclear supervisory body, Mr Boris Yukhimenko, claimed that "nothing alarming has occurred" pointing out that radiation levels

are normal and that the reac-

tor has been closed since a 1991

fire. Meanwhile, two tons of

contaminated water are leak-The Franco-German initistive aims at providing new EU funds for the nearly exhausted Nuclear Safety Account, which is managed by the European Bank for Reconstruction and

It also wants the World Bank to play a central role in co-or-

dinating efforts to develop safer and alternative energy sources in Ukraine. Senior German, British and

French officials make clear that no figures for EU aid will be decided at Corfu, because the Umon wants the US and Japan to pledge significant finance for the scheme at next month's Group of Seven sum-mit in Naples. "We are after the maximum multiplying effect," said one ambassador.

Ukraine in recent months has talked of energy restructuring needs running to around Eculobn (£7.7bn). But officials say this is a long-term projection, whereas the Franco-German letter indicates that what

cient to close Chernobyl and bring the reactors at Zaporodie, Khrnelnitski and Royno up to western European safety

standards. Mr Delors underlined to Mr Kravchuk that it was also an urgent priority for the EU that Ukraine should sign the nonproliferation treaty. Until this was done, warned Mr Willy Claes, Belgian foreign minister several member states would be unable to ratify yesterday's

Despite the new closeness in the EU's relationship with the east the partnership deal is meant to cement, Belgium was the only member state to field a foreign minister at yesterday's signing.

Brussels sets price for Greek airline debt write-off

By Kerin Hope in Athens

Greece's transport minister, Mr Yannis Haralambous, faces a grilling today from the European Commission over the government's request to write off Dr491bn (£1.3bn) of debt incurred by Olympic Airways, the loss-making state carrier.

Brussels is demanding considerable changes in return for its acceptance of the debt write-off and a Dr53bn capital injection over the next three

years. Olympic would have to end its monopoly of ground handling facili-ties. It would also have to open up to other carriers profitable domestic routes to the Greek islands from next year rather than in 1998, the present date for deregulation of island routes.

The government would no longer be allowed to set ticket prices or interfere in management. No further state aid would be permitted and the airline's loans could not be guaran-

The country's civil aviation authortties would have to speed up the issu-ing of operating licences to private Greek airlines, and let to compete head-on with Olympic on scheduled services. The three new airlines licensed to operate since deregulation was launched in 1993 are all registered as charter carriers, although they operate regular flights to Greek

and European destinations. The Commission's proposals, outlined in a letter to the Greek governforeseen in Olympic's restructuring plan, which as submitted in Brussels

Mr Haralambous is expected to argue that maintaining control of the ground handling operation, which brings in Dr30bn a year or 15 per cent of Olympic's operating income, is crucial to returning the airline to profit by 1997, as envisaged by the plan. However, other airlines com-plain thet restrictive working pracground handling at Greek airports is more expensive and less efficient

than elsewhere in the EU. Under the restructuring plan, Olympic has already agreed to freeze salaries for the next two years, cut loss-making long-haul rontes, and eliminate 1,500 jobs through an early retirement programme. The airline projects operating losses of Dr24bn in 1994, with accumulated debt rising to

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'still torturing Palestinians'

Israel's security forces are continuing systematically to torture and abuse Palestinian detainees, using beetings, physical force, abusive body positioning, sensory deprivation and psychological pressure, eccording to an internationel human rights organisation.

A 316-page report released today by the New York-based Human Rights Watch claims the chuses have continued despite last September's Israeli-Palestinian peace accord. Of the 36 cases documented, 10 are said to have occurred since the peace agreement. "The ehuses ere not isolated excesses but constitute a pattern that could persist only with the acquiescence of the government of Israel," the report says.

Human Rights Watch claims Israeli interrogators use e "systemised, co-ordinated and increasingly painful regime of physical constraints and psy-chological pressures" over days and weeks, "in a manner calculated to inflict extreme pain and mental anguish without leaving lasting physical

The Israeli Defence Force command last night said it "unequivocally denies" allegations it uses torture to obtain confessious. "Any means of torture or violence against detainees is forbidden under Israeli law and any confession extracted against the free will of the detainee is inadmissible

Correction OAU meeting

Because of an agency error, a man pictured in the Financial Times yesterday with South African President Nelson Mandela at the Organisation of African Unity summit was misidentified as his Zambian counterpart. Zamhian President Frederick Chiluba is not in fact leading his country's OAU del-

Human Rights Watch blames Israeli doctors and medics for complicity in torture and ill-treatment of Palestinians during interrogation by secu-rity officers and soldiers.

The report carries an interwho says he beat a blindfolded Palestinian suspect with a club. The sergeant claims he broke many hones and that other interrogetors would sometimes pour a liquid like

acid on suspects' wounds. Of the ex-detainees interviewed, 42 per cent alleged they were beaten on the testicles; 94 per cent said they had been deprived of sleep for up to several days; 29 per cent said they had heen deliberately placed in over-cooled rooms, and 59 per cent said they had been shackled to pipes or rings embedded in the wall.

Israel admits certain practices, including hooding suspects with canvas bags, confining them to small chairs and using moderate physical pres-sure. But Israel says all these physical methods are highly regulated and do not add up to torture and ill-treatment

Mr Uri Dromi, government spokesman, said: "Basically, we welcome this report because we think no country or organisation is above criticism. We always use these reports to check ourselves and see where if at all we were wrong, and how to improve ourselves and refrain from exceeding whet the law

Libya 'absolved' over Lockerbie

Libya said yesterday a claim hy a follower of guerrilla leader Abu Nidal that he hlew up a US airliner over Lockerbie in 1988 absolved it of responsibility, Reuter reports from Tunis. In Beirut, however, where Youssef Shabaan is on trial on other charges, prosecutors denied he had made such a confession.

Israel security | Significant chapter ends, but more follow | Marilla of September 1991 Andrews Isabeter ends, but more follow | Marilla of the September 1991 Andrews Isabeter ends, but more follow | Marilla of the September 1991 Andrews Isabeter ends, but more follow | Marilla of the September 1991 Andrews Isabeter ends, but more follow | Marilla of the September 1991 Andrews Isabeter ends, but more follow | Marilla of the September 1991 Andrews Isabeter ends, but more follow | Marilla of the September 1991 Andrews Isabeter ends, but more follow | Marilla of the September 1991 Andrews Isabeter ends, but more follow | Marilla of the September 1991 Andrews Isabeter ends, but more follow | Marilla of the September 1991 Andrews Isabeter ends, but more follow | Marilla of the September 1991 Andrews Isabeter ends, but more follow | Marilla of the September 1991 Andrews Isabeter ends, but more follow | Marilla of the September 1991 Andrews Isabeter ends, but more follows | Marilla of the September 1991 Andrews Isabeter ends | Marilla of the September 1991 Andrews Isabeter ends | Marilla of the September 1991 Andrews Isabeter ends | Marilla of the September 1991 Andrews Isabeter ends | Marilla of the September 1991 Andrews Isabeter ends | Marilla of the September 1991 Andrews Isabeter ends | Marilla of the September 1991 Andrews Isabeter ends | Marilla of the September 1991 Andrews Isabeter ends | Marilla of the September 1991 Andrews Isabeter ends | Marilla of the September 1991 Andrews Isabeter ends | Marilla of the September 1991 Andrews Isabeter ends | Marilla of the September 1991 Andrews Isabeter ends | Marilla of the September 1991 Andrews Isabeter ends | Marilla of the September ends | Marilla of In September 1991 Andrew Jack on convictions in probably the largest bank fraud ever

employees of the Bank of Credit and Commerce International in Abu Dhabi were summoned to what they were told was a "man-

To their surprise, on the agenda was their detention on the grounds of alleged involvement in the frauds at BCCI that had led two months previously to the closure of the bank by regulators around the world.

The announcement yesterday of the conviction of 12 of them marks the conclusion of e significant chapter in efforts hy prosecutors around the world to bring to justice e large number of the perpetrators of probably the largest banking fraud ever.

It leaves the question of punishment for the most senior executives of BCCI, and does little for hundreds of thousands of depositors, employees and creditors seeking compensation. Of those rounded up in Abu Dhabi nearly three years ago, several were released quickly and others followed

after an initial report by the public

prosecutor. That left 14 who were formally charged in July last year. Arguably the most significant of the accused, Mr Agha Hasan Abedi, the founder and president of BCCI, who was sentenced to eight years, was tried in his absence. He has lived in ailing health in Pakistan for several

All efforts to extradite him have proved fruitless - by Abu Dhabi and by the US authorities, where he was indicted last July for fraud, bribery, conspiracy, larceny and racketeering. Mr Abedi's assistant, Mr Swaleh Naqvi, who was BCCI's chief executive and wrote a series of confessions to Abu Dhabi implicating himself and Mr Abedi in 1990, was sentenced to 14

Mr Naqvi was sent under an agree ment with the Abu Dhabi authorities to the US in May, where he is due to stand trial on three sets of federal charges and one set brought in New

authorities may agree to return him to Abn Dhabi once he has served out any criminal sentences in the US. But they also reserve the right to hand him over to other governments first.

A third BCCI executive convicted for three years yesterday was Mr Ziauddin Ali Akbar, former head of the bank's treasury, who was last September sentenced to six years impris onment in the UK after pleading guilty to 16 charges of false account-ing involving more than \$745m.

Of the remaining 11, Mr Arjmand Naqvi has since died. Mr Iqbal Rizvi, who had been released on bail, was acquitted yesterday on charges of assisting other executives in the forgery and concealment of loans.

The remaining nine have been held in detention et the Police Officers' Club in Abu Dhabi since their arrest. and taken periodically to court appearances since last October, when their trial began.

Under the agreement, the US six years each: Mr Zafar Iqbal head of authorities may agree to return him BCCT's Emirates branch. Mr Hassan Kazmi, primarily responsible for managing money stolen from the Abu Dhabi royal family, and Mr Abdul

Hafeez, company secretary.

The rest received three years each: Mr Fakhir Hussain, an account officer in Abu Dhabi, Mr Mohammed Azmatullah, who was one of Mr Naqvi's top assistants in London, Mr Ameer Siddiqi and Mr Imtiaz Ahmad, who both sat on BCCI's loan euthorisation committee, Mr Naseem Sheikh, who worked in the treasury department,

and Mr Bashir Tahir. All of those found guilty are also required in the judgment to meet civil claims brought against them by the Abu Dhabi for \$9bn in compensation for money allegedly stolen from the royal family and government bodies.

A number of details remain to be answered over the sentencing, including how much more time they will spend in prison if unable to pay off the \$9bn claim and whether they or tences in the next two weeks.

In August last year a US jury acquitted Mr Robert Altman, a Wash. ington lawyer accused of profitting from loans given hy BCCI to enable him to buy shares in First American. the bank of which he was president After the collapse of this and other cases, the authorities are keen to see

Mr Nagvi prosecuted. In the UK, two others connected with BCCI have been prosecuted. Last month Mr Nazmudin Virani, the former head of Control Securities, was jailed for 21/2 years for fraud relation to his husiness dealings with HCCL.

Mr Mohammed Baqi, the former managing director of Attock Off, was convicted in February of conspiring fraudulently to inflate BCCI's profits

and fined £120,000 plus costs. The trial is continuing of Mr Immo Imam, a former BCCl official who denies six charges including constirecords and furnish false information

Killings raise fears of Kurdish violence

By John Murray Brown

The killing of at least 12 people during a funeral procession in northern Iraq has raised fears of new violence between rival Kurdish groups, threatening a 10-day-old ceasefire, disrupting vital aid efforts, and raising doubts about the durability of the self-administered Kurdish

Monday's incident in Suleimaniya near the Iranian border occurred as rival leaders -Mr Massoud Barzani of the Kurdistan Democratic Party (KDP) and Mr Jalal Talabani of the Patriotic Union of Kurdistan (PUK) - were meeting under Turkish euspices to review the tentative ceasefire to end a month of clashes leading to 300 deaths.

The killings, at a funeral of a KDP militiaman, could hardly be worse-timed for the nascent Kurdish leadership, striving to preserve its power-sharing experiment. The violence comes as Turkey's parliament is due to debate the mandate for Operation Provide Comfort, the Turkish-based allied air operation set up to protect the Kurds. The clash coincides



Kurdish refugees from fighting in Iraq enter the 15th day of a hunger strike outside the UN offices in Moscow yesterday. They are demanding visas to a western European country and have threatened to fast to death.

with renewed UN efforts to win wake of Saddam Hussein's Turkish border; the PUK condonor-support for relief efforts

The Kurdish zone is a legacy of the safe havens set up by the allies in 1991 to repatriate some 500,000 civilians who had fled to Turkey and Iran in the onslaught. Since May, the UN estimates 25,000 people have been displaced by the fighting between rival militia. The baven is now in effect partitioned, with the KDP dominating the northern area along the

trois the southern area centred on Suleimaniya. Aid workers have warned the Kurdish leadership they may have to curtail the operation unless security improves. The Germans have suspended aid operations.

Earlier, Mr Mohammed Zeilari. UN co-ordinator for Iraq, said he planned to call a meeting to win new aid pledges under the \$250m (£186m) requested in this year's programme. Only a few million dollars have been provided.

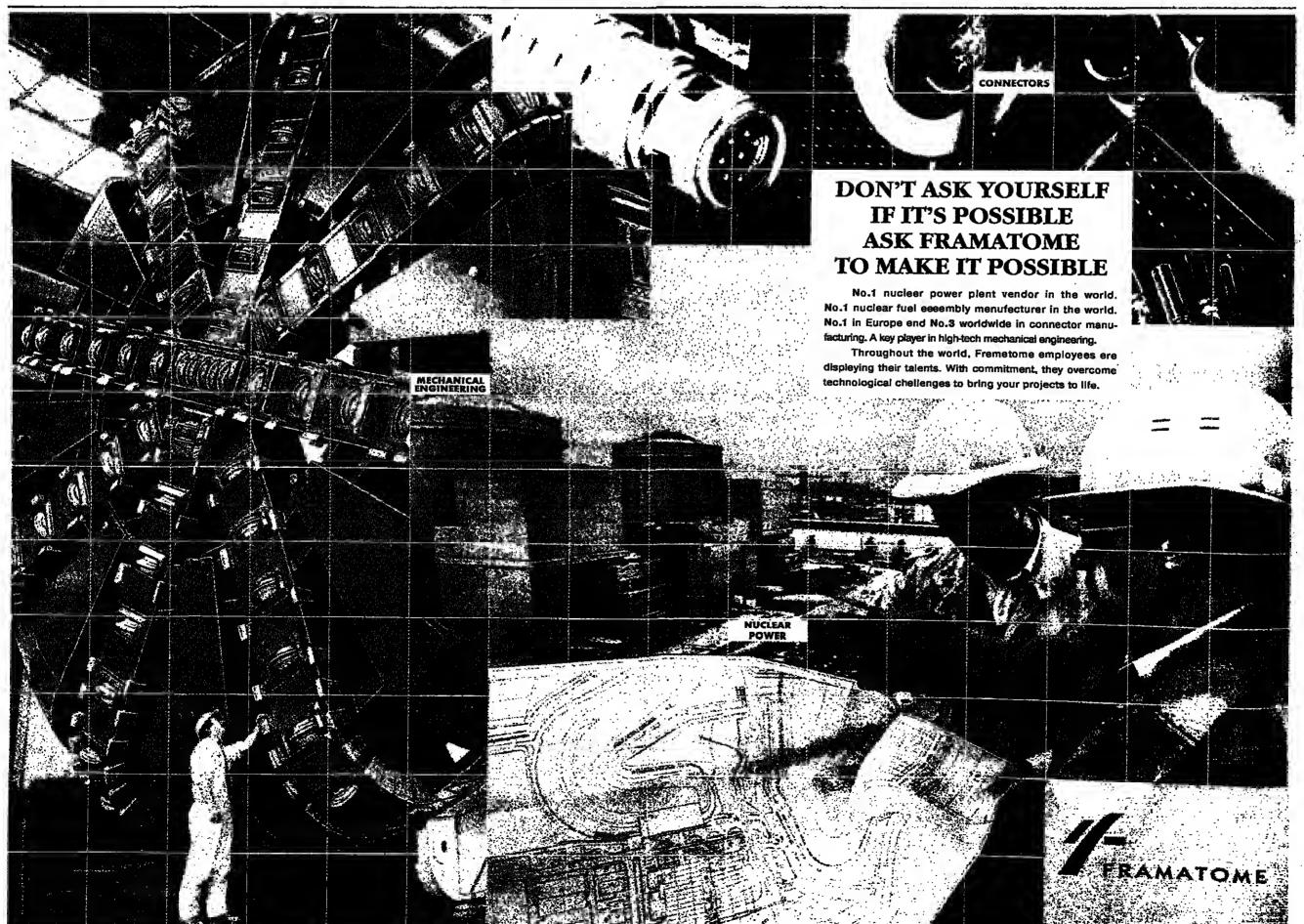
Iran to let private banks open

Iran has decided to let privately-owned banks open from next week for the first time since the Islamic revolution in 1979, Reuter reports from Nicosia.

Mr Mohammed Hussein Adeli, central bank governor, was quoted by Tehran radio as saying the bank would super-vise the private banks "and therefore guarantee their activities", Mr Adeli said regulations for private hanks had been approved by the government and a Money and Credit Council and declared to be within constitutional and religious laws.

"The banks would be able to take deposits and participate in production and economic activ-

ities nationwide." he said. Iran nationalised private banks at the start of the revolution. There are five existing state-owned banks. Foreign banks have representative offices in Tehran. Initial capital of a private bank should be at least 5bn rials (£1.5m). No bank would be allowed to lend more than 15 times its deposited capital, Mr Adeli said.



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Manila sees deficit double

The Philippines' current account deficit reached \$676m (£450m) in the first quarter, more than double the figure of

more than gouble the ngure of \$297m a year-ago.

According to data released yesterday by the country's central bank, however, a sharply higher net inflow in the non-monetary capital account of \$1.16km are \$200m. least 1.16km. \$1.16bn, up from \$849m last year, more than compensated.

A bigger trade deficit, up 30 per cent to \$1.66bn, resulted mainly from increased imports of capital goods and raw materials, which the central bank said "reflected the bullish

tran to let

banks open

private

period. Helping ease the pressure were the accelerated growth in exports (up 17.8 per cent to \$2.9bn) and substantial gains in short-term capital and foreign investments (up 36 per cent to \$1.16bn), boosted by proceeds from the partial privatisation of Petron, the statecontrolled oil refining and mar-

controlled oil refining and mar-keting company.

Net foreign investments, bol-stered by the \$502m payment for 40 per cent: holdings in Petron that Saudi Arabia's Aramco group won in a bid-ding, grew 114 per cent to \$548m.

Trade unions in , campaign to halt child labour

global campaign yesterday to eradicate child labour, including a boycott of exports made by exploited, underage work-ers. Reuter reports from Geneva.

Mr Enzo Friso, general secretary of the world's largest international labour grouping, took the case for a link between trade and labour con-ditions to Mr Peter Sutherland, chief of the General Agreement on Tariffs and Trade. "This shameful phenomenon has grown over the last years," Mr Friso told a news briefing in Geneva. "It is a serious prob-lem which requires state inter-

"We are going to campaign for a boycott to stop goods made by children from gaining access to foreign markets," he

In a new report, the Brus-sels-based ICFTU says from 100m to 200m children under 15 are working in streets, facto-

ries and mines, mainly in South Asia and Latin America. They include children work-ing in coal mines in Colombia, gold mines in Peru, as construction workers in Bangladesh, as "slaves" in Pakistan weaving carpets, sweet vendors in Mexico, and in garment

factories in the Philippines.
The 13-page report, "Child Labour: the world's best kept secret", contains documentation from ICFTU affiliates on abuses in India, Bangladesh, Nepal, Mexico and the Philip-

Confederation of Free Trade tion by ICFTU experts," it Unions (ICFTU) launched a says. "All companies discovsays. "All companies discovered to be using child labour will be exposed and the companies will be the target of spe-

cial union campaigns."
Mr Bjorne Grimsrud, ICFTU campaign organiser, declined to name suspected multina-tionals but said: "It is important to get to the sub-contractors level because that is where you find the child labour."

in a statement, ICFTU said the campaign would include an international boycott of handwoven carpets from Nepal, India and Pakistan, unless they were labelled with a guarantee that child workers were not involved in production.

The ICFTU has 174 labour union affiliates in 124 countries, representing 120m work-ers. During the cold war it campaigned for workers' rights in Communist countries.

The appeal was made on the fringes of the annual meeting of the International Labour Organisation, whose director general, Mr Michel Hansenne, is also pressing for workers' rights to be closely tied to global economic and trade deci-

Mr Friso called for a "social clause" to be used as an international weapon exploitation and other abuses of workers' rights at the future World Trade Organisation. "Wa want a social clause ... to prevent the import of goods from a country when its government does not take measures against exploitation of

Call to free Kashmiri fighters

Pakistan regret on kidnapped Britons

The Pakistani government yesterday expressed regret that the two Britons, Kim Housego and David Mackie, kidnapped by gunmen in Indian-administered Kashmir last week, had still not been released.

A foreign office official in Islamabad also called on the Indian government to release Kashmiri fighters, detained "in violation of all legal, moral and humanitarian norms".

The relatives of the two captives had earlier approached Pakistani authorities to use their influence. The group holding the hostages, the Harkat-ul-Ansar, has offices in both Indian and Pakistani-ad-

A number of groups of Kash-miri activists, as well as the of the Pakistani-administered side, have called on the captors to release the two hostages.

Mr Mohammed Farooq Kashmiri, leader of the group, says he has ordered his mujahideen (freedom fighters) to release them. But the group says it is not able to ensure the release due to an Indian military presence in the area where the cap-

tives are being kept. Indian officials have assured Mr David Housego, a former Financial Times Journalist and Kim's father, that the gummen will be given safe pas they agree to return the two Britons. But it is not clear if such assurances will satisfy

Indonesian police arrest activists

Indonesian police have workforce. The rallies exploded detained two leading labour into ethnic violence directed at activists and summoned a third in an apparent crackdown linked to riots which swept Medan city in April, Reuter reports from Jakarta.

Diplomats said the moves, which included interrogating Mr Muchtar Pakpahan, a labour leader, may be part of a wider effort to discredit Indonesia's nascent labour movement by linking it with growing unrest directed at the ethnic Chinese minority.

Labour rallies in Medan in April were the climax of growing worker unrest in economically vibrant Indonesia as activists tapped a growing resentment at low wages and poor working conditions among the nation's 80m-strong the town's Chinese minority, which as elsewhere in Indonesia controls much of the economy. The military has blamed the independent Indonesia Welfare Labour Union for the week-long rioting, in which one person was killed and cars, factories and shops smashed.

The unrest, the country's worst ethnic rioting in years. has been followed by sporadic and sometimes violent strikes across the province of north Sumatra. Last week, strikers held three factory employees hostage in a tense stand-off with local police and military forces. Residents said yesterday the factory, in Pematang Siantar south of Medan, had



Heavily armed forestry police check the documents of a lorry driver carrying timber at Li River in China's Yunnan province.

Valuable indigenous timber, for state use only, has been smuggled out of the country or sold on the black market.

China voices doubts on HK land measures

By Simon Holberton in Hong Kong

China has expressed doubt over the measures announced last week to cool Hong Kong's overheated property market.
Mr Lu Ping, Beijing's top
official on Hong Kong affairs,
told a delegation of Hong Kong businessmen visiting Beijing that China is concerned that the greater effect of the measures will take place after 1997, when Hong Kong reverts to China, rather than before.

Last week, the Hong Kong government announced measures, including a proposed increase in the supply of land and a reduction in the pre-sale of flats. Analysts and leading house-builders such as Mr Li Ka-shing said they thought the measures would help restrain the growth in house

The increase in land supply (70 hectares more than planned) was seen as having the biggest effect in the medium term, and analysts expect it to have a downwards effect on prices. It is, however,

the one major measure which also needs China's assent as Beijing has a role in the allocation of land in Hong

Mr Lu was quoted as saying Beijing did not want to see big fluctuations in land and prop-erty prices after 1997. "We hope to see stability. The over-heated property market defi-nitely has to be cooled, but it has to be cooled gradually," he

His comments may reflect concern in Beijing about the possibility of presiding over a slump in house prices just as China resumes sovereignty, in voicing them. Mr Lu kept China's options open. He said the issue ought to be discussed in the Sino-Britisb land commission, the body which will have to approve an increased alloca-tion in land.

House prices have fallen sig nificantly since the govern-ment said in March it would intervene in the market inves tors believed last week's measures would depress prices further and accordingly marked down property shares.



Bonn offered as base for WTO

By Frances Williams in Geneva

The German government yesterday submitted its formal offer to site the future World Trade Organisation in Bonn, in a hopeful but probably foriorn bid to tempt the WTO away from the Swiss city of Geneva. home of the General Agreement on Tariffs and Trade.

The German offer came just a day before the bid deadline, in a letter from Mr Gunther Regrodt economics minister. to Mr Peter Sutherland, the Gatt director-general, and Mr András Szepesi, chairman of the Gatt contracting parties (members). A decision on the location of headquarters for the WTO, which is due to supersede Gatt next January. is planned before the August No other contenders are

expected. Singapore has denied it is a candidate (though it hopes to host the first ministerial meeting of the WTO).

Details of the German and
Swiss offers will be given to members of the WTO prepara-tory committee today. German officials said yesterday that the WTO had been offered even-

eral parliament building overlooking the Rhine once Its present occupants moved to Berlin in 1998.

In the meantime, the WTO's 500-plus staff would be housed in a new building close to the old parliamentary chamber which would serve as a meeting and conference room.

Switzerland is offering Gatt's present lakeside headquarters and construction of an adjoining conference room. The Swiss package also includes more generous terms on immunities and privileges for WTO

staff and diplomatic missions than Gatt now enjoys, and a more relaxed approach to granting work permits for family members - two important gripes among Geneva's international community.

Although Bonn says it will pay towards removal costs, trade diplomats say the expense and upheaval involved in moving from Geneva almost certainly rule it out

For many poor countries, the expense of establishing a new specialist diplomatic mission in Bonn would be prohibitive, whereas in Geneva a single international organisations. Gatt's present staff has also shown a marked lack of enthusiasm for the idea.

Moreover, Germany's EU partners are unenthusiastic. especially France which has already declared itself for francophone Geneva. The WTO's presence in Geneva means French is one of the three working languages, which is good for the influence of our country and our culture," Mr Gerard Longuet, French trade minister, told the French par-liament last month.

single foreign investment stat-ute that brings together the

different exemptions or limita-

tions applying to different sec-

tors (such as banking, media

and so on). They fall short of

demanding a precise definition of "national interest", but sug-

gest that a set of criteria to be

used in determining applica-

tions by foreign investors be

to become a statutory body.

allowed to make binding deci-

sions for certain classes of

applications which, in turn,

would be subject to administra-

sons for them and any special

Either way, it seems likely

They would also like the Firb

delineated.

of G3 nations agree pact

By Sartta Kendall in Bogota

The presidents of Colombia, Venezuela and Mexico - the Group of Three (G3) - yesterday signed an agreement to phase in a free trade part over 10 years and create a common

market of 140m people.

The pact, which comes into effect on January 1 1995, was thrashed out between negotiators over the past three years and was signed on the eve of the meeting of Ibero-American heads of state in Cartagena. Colombia's trade minister, Mr Juan Mannel Santos, called the trade pact "the most important trade accord in Colombian history".

Most agricultural products and the vehicle industry will have special treatment.

The car sector, in which small Colombian and Venezne lan producers fear competition from much larger Mexican competitors, is to be included over a 13-year period and Veneznela will also be given a two-year grace period before it is compelled to dismantle textiles tariffs.

Colombia's industrialists have raised serious objections to the agreement and recently asked the government not to sign ft, saying that it favours Mexico too strongly.

tive law review. The remaining, "more significant" applica-tions would be handled by the Although Congress still has to ratify the treaty, both presi-dential candidates in Sunday's the Treasurer, who would be obliged to provide an accompaelection have given it their nying statement of reasons in support. The G3 partners agreed to seek further free The Labor party senators, trade pacts with Central Amerwho made up a minority on the committee, are content to reccan and Caribbean states and to build on the pact as a cor-nerstone of Latin American ommend a "more open and consultative process" and "a integration. Ecuador has already shown interest in joincomprehensive system of notiing the G3. fication, involving publication of significant decisions, rea-

Colombia and Venezuela also hope that the new agreement will be a step towards joining the North American Free Trade Agreement, which Mexico entered on January 1. Meanwhile, trade between

that some changes will emerge. Mr Ralph Willis, the Treasurer, has already conceded that "for Colombia and Venezuela. which soared during the ive some reasons". last two years, has again
And that, say the system's fallen in recent weeks as a result of a sharp devaluation in the Venezuelan currency.

Presidents NEWS IN BRIEF

S Korean train contract sealed

GEC-Alsthom, the Angle-French group, yesterday signed a \$2.1bm (£1.4bn) contract with South Korea to provide grande vitage trains (TGV) for the country's new high speed rail system, with John Burton in Secol.

The deal will be financed by a \$2.5bn loan from a consortium of French banks led by Banque Indosurz.

The contract signing in Seoul concludes three years of negotia-tions that involved GEC-Alsthom. Stemens of Germany and Mir. subishi of Jopan competing for the prestigious rail contract.

GEC-Alsthom offered a low bid and extensive technology trans. fers to win the contract to provide 46 locomotives which will run on a 410km track between Seoul and the port city of Pusan. All but two of the trains will be assembled or built in South Korre by three main subcontractors, including Hyundai Precision & Industry, Daewoo Heavy Industries and Hanjin Heavy Industries, with localised production amounting to 50 per cent

Japan backs KL airport

Japan is to provide Malaysia with a M\$1.5bn (£286.6m) soft loan for the construction of a new international surport south of Kuala Lumpur, writes Kieran Cooke in Kuala Lumpur

Mr Hideaki Tanaka, a director of Japan's Overseas Economic Co-operation Fund (OECF), said that the loan would be charged at 3 per cent annual interest repayable over 25 years. Final details of the loan package are being worked out by Japanese and Malaysian officials.

Kuala Lumpur's new airport, expected to cost of M\$13.5bn, is one of south-east Asia's biggest infrastructure projects. Originally an Anglo-Japanese consortium made up of Trafalgar House, GEC, Balfour Beatty, Gammon and Marubeni of Japan were given the contract for the airport's project management and development. However, the consortium has been disbanded following Malay. sian ban on giving government contracts to British companies.

Invisible trade exceeds 40%

Global invisible transactions exceeded 40 per cent of total world trade for the first time last year, reflecting several years in which trade in services and income from assets held abroad have increased faster than merchandise trade, according to estimates published by British Invisibles yesterday, writes Peter Norman in

British Invisibles, which promotes the export of UK-based financial institutions and professional and business services, said It estimated that commercial invisibles, consisting of trade in services and income from assets abroad, accounted for 34.4 per cent of world trade last year while non-commercial transfers

made up a further 6.2 per cent of the total. Reviewing recent trends, British Invisibles said that world invisible trade had increased by 153 per cent in dollar terms since 1984, compared with a 97 per cent increase in visible trade in the same period. Commercial invisible transactions accounted for 30.4 per cent of world trade in 1981 while non-commercial transfers were 4.1 per cent of total trade. Britain generated a \$15.1bm (£10bn) surplus from commercial invisible transactions in 1992. This, according to British Invisibles, was the world's third largest after the US and Switzerland, and more than double the UK's 57bn commercial invisible surplus in 1991.

Bahrain promise renewed

Bahrain and Caltex Petroleum of the US have renewed a commitment to modernise Bahrain's ageing refinery. Reuter reports from Manama. Bahrain Petroleum, which runs the 250,000-bar-rels-per-day refinery, is 60 per cent owned by the Bahrain government and 40 per cent by Caltex, which is jointly owned by Texaco inc and Chevron Corp.

Australia investment rules probed

Nikki Tait on quest to take the whim factor out of foreign venture approval

V inquiry revealed last week that prime minister Paul Keating had suggested three years ago that Mr Conrad Black, the Canadian media tycoon, was more likely to be allowed to take control of Australia's Fairfax newspaper group if it laid off "barracking for" his opponents, the prickly issue of foreign investment was placed firmly on the political agenda.

For one thing, the idea that editorial parameters were tradable for an investment position did not go down well. Even more serious was the question of whether it was desirable that foreign investment decision-making should be allowed to be subject to such political

Foreign investment is a tricky enough issue for any relatively small economy, And while there has been some unhappiness over the country's relatively permissive investment rules, the main concerns centre - Mr Keating's "offer" aside - on the discretionary and often unaccountable way in which the policies seem to be applied.

Under the spotlight is the Foreign Investment Review Board, a non-statutory body, which has no published constitution or rules of procedure. In theory, the Firb's job is to advise the Australian Treasurer (finance minister) on the 3,000-4,000 foreign investment and currently moving to



Willis, left: asking for reasons is 'not unreasonable'. Black: received investment 'offer

decision, at least in significant cases. (Firb itself consists of four individuals, backed up by Part of the problem is that a number of officials operating as a branch within the trea-But in reality, say invest-ment bankers, big decisions are simply announced, with a paucity of reasoning provided, and no indication of whether

politically-inspired, reason. "It's excessively secretive," says Mr Paul Binstead, former joint head of Schroders' investment banking arm in Australia

deals that arise each year,

allowing the latter to make the

the Treasurer has taken the

advice of Firb officials, or acted

for some separate, perhaps

County Natwest, "Personally, I'd like to see decisions removed from the political

the Firb operates in the context of a permissive, but imprecise, regime. The country first introduced rules on foreign investment in the mid-1970s, but then relaxed them significantly at the end of the 1980s. in essence, the stance today is that foreign investment is welcomed unless it is shown to be contrary to the national interest - some would say a sensible, but discretionary standard.

In certain sensitive areas, such as the media, more precise rules apply. But even these can shift. As the Senate

committee's report on Fairfax

more than ASSm (£2.4m).

rent arrangements are not

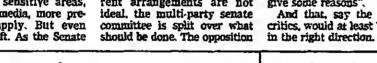
noted with regard to newspaper ownership: "From a position of absolute restriction in the early-1980s, the policy flirted with total liberalisation in the late-1980s, before moving on to the compromise positions

While agreeing that the cur-

of foreign shareholdings of 20 per cent in 1991 and 30 per cent in 1993." The Firb's formal scope,

important issues...it's not unreasonable that we should give some reasons". critics, would at least be a step

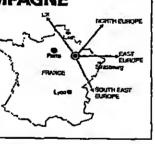
conditions".



meanwhile, allows it to examine the acquisition of any shareholding above 15 per cent in any company with assets of

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communications

A route map.

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Saudi diple

US likely to contribute to IMF facility

By George Graham

The US now seems likely to reverse an earlier move and make a contribution this year to the International Monetary Fund's enhanced structural adjustment facility (ESAF), which provides subsidised loans to some of the world's

poorest countries.
The willingness of the US Congress to provide the money is expected to be increased by new signs from the IMF that it may move to release more of lts documents. Some economists and political analysts believe such a gesture would greatly enhance government accountability for sconomic policy in some of the countries that borrow from the IMF.

The Clinton administration has wanted to provide all the \$100m (£56m) it has pledged for the ESAF in its fiscal 1995 budget, which is now under discussion in Congress, but a House of Representatives appropria-tions committee eliminated the money from the foreign aid

The Senate appropriations committee is expected, however, to restore \$25m when it considers the hill tomorrow.

This follows efforts by a separate House committee. chaired by Congressman Barney Frank of Massachusetts, to link approval of the ESAF money to promises of greater transparency from the IMF.

expected to agree yesterday on legislation that would authorise the appropriations commit-tee to provide up to \$25m this

Mr Michel Camdessus, IMF managing director, this month wrote to his board urging that the fund should not only release more of the documents over which it has control, such as notes on recent economic developments in borrowing countries, but also urge mem-ber countries to publish documents such as their letters of intent for IMF loans.

The US contribution to the ESAF is not of any immediate financial significance, since the IMF will not have to call on the US contribution for

another two years.

Even so, other contributors to the ESAF had made their pledges conditional on the US, which is perpetually in arrears on its international ohligations, doing its share. Some Latin American countries were incensed at the House committee's decision to strike the money from this year's budget.

The US was one of the last big industrialised countries to promise money to the ESAF. which comprises an SDR4.5bn (£4.8bn) capital fund and a separate SDR2bn fund to subsidise tts interest rates, and its \$100m contribution was described even by the US Treasury as "a meagre share for the largest economy in the world."

Consumer prices rise by 0.2% as retail sales fall

By Michael Prowse in Washington

The pace of US consumer spending slowed last month and inflationary pressures remained modest, official figures indicated yesterday.

The Commerce Department said retail sales fell 0.2 per cent in cash terms last month, but than in May last year. The decline followed a revised 1.1 per cent drop in sales in April. Consumer prices rose 0.2 per cent last month and by 2.3 per cent in the year to May.

Both figures were weaker than analysts expected, but ment, he said. were in line with other data pointing to a loss of economic vitality in recent months. The dip in retail spending probably overstated the weakness of consumer spending, which was artificially boosted last year by casb released from refinancing mortgages at lower interest

Recent softness mainly the underlying trend.

reflects a sharp fall in car sales after a very strong first quar-ter. Spending may also have been depressed by higher tax payments in April following implementation of last year's deficit-reduction measures.

Mr David Rolley, senior economist at DRI/McGraw Hill, the forecasting group, said be expected real consumer spendof about 2 per cent in the second quarter, less than half the pace in the first three months. Spending, however, would probably rebound in the third quarter given strong recent increases in payroll employ-

The "core" consumer price index - which excludes the volatile elements food and energy - rose 0.3 per cent last month and by 2.8 per cent in the year to May. Core consumer price inflation rose at an annual rate of 3.4 per cent in the past three mouths, indicating a slight deterioration in

Caracas closes 8 finance houses

By Joseph Mann in Caracas

The Venezuelan government yesterday surprised hank depositors by closing eight troubled financial institutions which it bad been keeping affoat since early this year. Long lines of sometimes

angry depositors formed out-side the closed institutions, which have a combined total of 2m depositors. Some accused the government of defranding them of their

The move was the latest by

the administration of President Rafael Caldera to ease a financial system crisis which began in January when Banco Latino, Venezuela's second largest bank, falled and was taken over by the government. Following the collapse of Banco Latino, other institu-tions were struck by runs on their deposits and had to rely heavily on financial aid from the central bank and the gov-

erument's bank deposit guar-antee fund (Fogade).

The institutions taken over by the government and closed include seven hanks (Amazonas, Bancor, Barinas, Construcción, La Guaira, Maracaibo and Metropolitano) and a company which financed commercial and industrial projects, SF Fiveca.

Even though the govern-ment had been the de facto owner of these institutions for some time - It had demanded shares and other assets in return for financial assistance and had appointed its own administrators - the authorities felt that the financial aid had reached an unacceptably high level and that the banks could not be properly restruc-

tured without intervention. The eight banks had lost a large share of their deposits and had financial losses amounting to several times their capital. They received the equivalent of almost \$3bm in government assistance. Questions have been raised publicly as to wbether some of this money was used improp-erly by the banks while still

The government had been expected formally to take over the institutions but the decision to shut the banks was not depth of a banking crisis which has done much to undermine confidence in the Veneznelan economy this year.

In announcing the decision Mr Julio Sosa, finance minis-ter, said that each depositor would be eligible to receive up to 4m bolivars (\$24,000 or

In the case of Banco Latino, the government recapitalised and reopened the institution, paying depositors up to 10m bolivars. However, the authorities saw no end to the financial aid required by the other eight institutions and decided to close them down.

Senate leaders at odds over healthcare

Senate leaders told President Clinton that they could not reach consensus in a committee on his healthcare reform plans, but they agreed to continue their work, AP reports from Washington.

Recognising the lack of consensus in the Senate finance committee, "the president asked that we take no votes in

the committee at the moment," said Senator Robert Packwood of Oregon, the committee's ranking Republican. "He obviously doesn't want any vote that causes his plan to be defeated," Mr Packwood said.

Committee Chairman Senator Daniel Patrick Moynihan summed up the meeting: "We agreed that ... there is not

now a majority for any bealthcare reform plan in the Senate Finance Committee, that we will continue to work on a bipartisan basis to provide legislation that covers everybody.

Such disagreements aside. Mr Moynihan insisted Clinton's healtbcare reform plan

"Not at all. This a large piece of legislation and some of the principles are absolutely essential. Others are negotiable and he knows that," he said.

The crux of the problem lies in Mr Clinton's desire to guarantee coverage to all Americans, with employers ance for their workers, Mr. forced to provide insurance to

Mr Moynihan said the legislators would return to Capitol Hill to try "to put together combinations" of various proposals. Asked if Mr Clinton could achieve universal coverage for all Americans without forcing employers to buy insur-Moynihan said, "We don't

When working would cost too much

Nancy Dunne on a family which Clinton's welfare reforms are designed to assist

ittle John, unlike most American children, has hoth his parents at

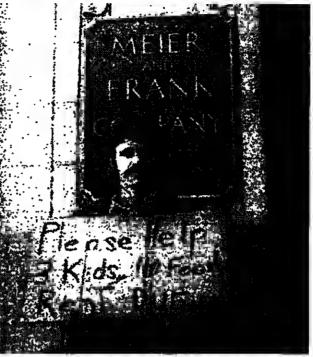
His father, Mr Tony Wilson, a roofer, was badly injured in March 1991 when a scaffolding collapsed and he fell three storeys to the ground, hreaking his back. Little John's mother, Mrs Maria Craig, is on welfare.

Mr Wilson and Mrs Craig are now trapped in the "safety net" which the US and state government provides to keep citizens from absolute poverty. It is people like them President Bill Clinton hopes to help with his welfare reform initiative, unveiled yesterday. Mr Wilson receives payments

from Maryland's workers compensation fund, a schems funded by the state's businesses but riddled with bureaucratic sandtraps. Although his medical bills wers paid, Mr Wilson received no income for the first 18 months after his After four trips to court, he

now collects \$10,816 a year, although in theory he is sup-posed to be getting two-thirds of his pre-accident pay. Mr Wilson said he was earning \$500 a week before his accident hut he had been working in that joh for only two weeks.

The stereotypical welfare mother of politicians' demonology is a black ghetto dweller



An unemployed American man in the western city of Eugene, Oregon, begs outside a department store

who has babies every year. Mrs ley, she was deserted by her Craig, however, is much more representative, according to welfare experts. Like the majority of welfare recipients, she is white. Along with an eight-year-old daughter, Asb-

busband five years ago. She has never been able to afford a divorce. No member of ber family has been on the welfare rolls before. From the age of 18, for more son's injury. The baby is not

one employer, an optician, fit-ting eyeglasses. When she left the job to have the baby, whose birth was unplanned,

she was earning \$22,000 a year. The state's welfare system provides her with \$3,432 in cash and \$1,428 in food stamps taking the couple's earnings to a total of \$15,676. It is harely above the poverty line - calculated at \$14,764 for a family of four - but there are powerful disincentives to her returning

At present she and ber daughter are eligible for Medicaid, the medical cars programme for the "working poor". Yet she would lose all these benefits and her welfare paymants if she found a job. Mrs Craig could earn some additional money caring for other children, but would also lose her welfare cheque. She could go back to fitting spectacles, but she says the \$150 a week she would have to pay for childcare (since Mr Wilson is often unable to carry the

baby) and the \$240 a month she would have to pay for health insurance would actually reduce ber earnings. Even now, neither Mr Wilson nor Little John get Medicaid benefits. The workmen's com-

pensation fund covers only

healthcare related to Mr Wil-

covered because his father is in

This leads to Mrs Craig's skipping the baby's scheduled visits to the doctor unless he needs immunisation shots or is ill. "I try not to think about the possibility of him getting sick, but when he shows symptoms - like an ear infection - 1 cet

petrified," she says. Mrs Craig would be an ideal candidate for the welfare reform retraining programme proposed by Mr Clinton yesterlay. A high school graduate. she said she would, if given the chance, study for a two-year college degree which would enable her to earn a higher salary. The retraining programme would also pay childcare expenses and allow recipients to retain their healthcare bene

Meanwhile, the workmen's compensation fund has dlthered. Mr Wilson bas been waiting for months for back surgery, which his doctors see as his only hope of recovery. The workmen's compensation's doctor disagrees; the fund likes to avoid expensive surgeries.

"I had the physical body of a packhorse," he said, I thought would always heve it. Instead I have to sit here getting stupider every day. Sometimes 1 go fishing. Sometimes I'm sui-

MAIN POINTS OF THE WELFARE PLAN

Welfare recipients born after 1971 will be limited to two years of cash benefits in their lifetime, writes George

controlled by their former After two years, they would be required to enrol in a one-year work programme sponsored by the government. They could re-enrol in work programmes so long as they continued to he turner down a job or did not make adequate efforts to look for work could have his or her benefits stopped.

Over the next five years, the plan is expected to cost a total of \$10.8bn (£7.2bn), including: • \$2.8bn for education, training and job placement.

• \$1.2bn for work programmes for those who reach the two-year limit. • \$4.2bn for childcare for those in training and work programmes, as well as for other workers with low incomes. • \$900m for measures to improve the system of collecting child support paybysicin of confecung child support payments from parents and for teenage Putting a ceiling on each state's dumps.

Superfund for cleaning up toxic waste dumps.

preenancy prevention. A reduction in the number of people in the welfare system is expected to save \$1.5hn over the same five-year period. The remaining \$9.3bm of costs would be made op by measures such

• Tightening restrictions on foreigners receiving benefits such as aid to families with dependent children (AFDC), social security pensions or • Shifting \$1.6bn of savings from the

spending in the AFDC emergency bomelessness programme, to save \$1.6bp. Limiting social security disability payments to drug and alcohol addicts

so as to save \$800m. • Ending agricultural subsidies to farmers with more than \$100,000 a year in non-farm income so as to save



Saudi diplomat seeks asylum

By Jeremy Kahn

A Secretary of the second seco

A high-ranking Saudi diplomat at his country's United Nations mission sought asylum in the US yesterday, after accusing his own government of human rights abuses, terrorism and

Mr Mohammed al-Khilewi, a first secretary at the Sandi UN mission in New York, signed an affidavit that he had 14,000 documents, some of them classified, which reveal a history of terrorism and rights abuses by

the Saudi government.

Among the organisations which Mr Khilewi alleged his government was supporting is Hamas, a radical Moslem group opposed to the peace accords between Israel and the Palestine Liberation Organisa-tion. Mr Khilewi also claimed the Sandi government had asked its UN mission to spy on

two US Jewish groups. He further alleged that officials at both the UN mission and the Saudi embassy in Washington had misused millions of dollars in official York banks and diverting the

interest for personal use.

The incident is unlikely to jeopardise US relations with Saudi Arabia, considered Washington's closest Arab ally in the Middle East, but it could embarrass both governments. There has been no official comment from US or Saudi

Mr Khilewi has received multiple threats, warning him to return to Saudi Arabia or be killed, said Mr Michael Wildes,

President Carlos Menem is regaining popularity

Argentine anger over volunteer army scheme

In Buenos Aires

mtlitary Argentina's commanders have reacted angrily to the surprise announcement last week by President Carlos Menem that he will abolish compulsory milltary service next year.

No general has openly

attacked Mr Menem's plans but officers are irritated by his political motivations in ending conscription and the air of improvisation in the decision. A Defence Ministry official said yesterday: "The army has always wished to become a sional force, but it will require a four- or five-year

But Mr Rosendo Fraga, a defence analyst, commented: "Menem is demanding a cultural change but the generals and Defence Ministry are dragging their feet." Resentment in the armed

forces has increased as the government raises wages of its civilian employees while holding down military wages. Gen-eral Martin Balza, the army commander earns the equivalent of \$2,344 a month; a senior civil servant earns twice as

swiftly to a professional force should be neither difficult nor costly. The armed forces have 18,700 conscripts and to put require only a 5 per cent increase in the \$4.8bn defence Opposition to the deeply

unpopular 12-month military service for 18-year-old men picked at random deepened after the unsolved murder in March of Mr Omar Carrasco, a conscript at an artillery unit. An opinion poll published yesterday showed that 61 per cent of Argentines oppose military

popular. He is reforming Argentina's 1853 constitution so that he may run next year for a second successive term as president, but his administration has been adrift in recent months. He has now skilfully regained the initiative.

The armed forces have led six coups since 1930, were discredited by gross buman rights violations during the last military government of 1976-83 and were plunged into crisis hy defeat in the 1982 Falklands conflict.

There have been four mntinies since the country's return to democracy in 1983 and the civilian rulers have still not tary. Mr Menem's authority over the generals is heyond question but his defence policy does not go beyond cutting military spending and sending troops overseas on UN mis-

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A report published by the Air Accidents

Investigation Branch of the Department of

Transport, said the mistake, which was princi-pally attributed to pilot error, provided

It calls for a second review of Gatwick's light-

ing systems in order to ensure minimum

grounds for confusion among pilots.

The report said that, while some recommended modifications to lighting were made

after the 1988 incident, others had not been

Aircraft Accident Report on incident to Boeing

create a more modern railway.

sures on the negotiators to

keep the trains running while

giving away as little as possi-

But under the newly decen-

tralised railway system which

is being created, these pres-

sures have been made more

acute. If Railtrack, set up on

April 1 to take over BR's track,

signalling and stations, fails to

ole would have been strong.

Under BR the Internal pres-

737-2Y5A, 9H-ABA at London Gattaick, HMSO

grounds for "serious concern".

By Andrew Taylor and Gillian Tett

The uneven pace of the UK economic recovery was highlighted yesterday by a marked decline in British construction orders in the three months to April and signs of unexpectedly subdued growth of

retail sales in May.

A big fall in British construction orders for road, rail and other infrastructure this spring prompted concern that the pace of the building and civil engineering recovery may be starting to slow as public spending cuts begin to take effect.

tion of British Industry's latest survey of distributive trades showed a drop in the numbers of retailers reporting year on year growth of sales in May compared with April. The fall disappointed City of Lon-

vey to show a continuation of April's strong sales growth. But the CBI pointed out that there was little sign that the tax increases in April had yet significantly dented consumer demand. Economist are anxiously awaiting news today of

don analysts, who expected the sur-

data to establish whether Britain's recovery is maintaining its vigorous. Mr Kenneth Clarke, chancellor of the exchequer, will outline in his Mansion House speech tonight how he hopes to maintain steady growth with low inflation.

Figures published yesterday by the environment department showed that the value of infrastructure orders at constant 1990 prices fell by 39 per cent during the three months to the end of April compared with the previous three months. Infrastructure orders also were a sixth lower than during the corresponding period last year. Construction orders, overall, fell

by 14 per cent compared with the previous three months although they remained 6 per cent higher than during the corresponding

private industrial and commercial orders which increased by 15 per cent and 26 per cent, respectively. compared with a year ago.

More encouraging were rises in

Private housing orders were also 17 per cent higher than a year ago although 3 per cent lower than dur-

riding further evidence of a recent wobble in the housing market recovery previously reported by building societies and estate agents. A sharp decline in infrastructure

orders had been expected following the bunching of very large contracts placed for the Jubilee Line extension towards the end of last year. The fall, however, was greater

than expected according to the Federation of Civil Engineering Contractors which said it "had not expected the year-on-year decline to reach

By Raymond Snoddy

The European Commission is

calling for comments on com-

mercial agreements that link

Cadbury Schweppes products

to the operation of the

The confectionery company

s a member of the Camelot

consortium due to launch the

UK National Lottery in Novem-

ber. Under the terms of the

agreement with Camelot, Cad-

bury Schweppes has the right

to try to advertise its products

in connection with the prize-

draws - a connection which

could be extended to television

The plan is that confection-

ery displays carrying the Cad-

bury name, and possibly its

products, will be offered as

and Emma Tucker

National Lottery.

for an agreed fee.

wrong to read too much into one month's statistics but we will be watching inture order figures to sec if this trend is repeated, particularly

on road spending."

Road orders in current prices fell by 18 per cent to £470m compared with November, December and January. One reason for the low figure may be the handing over, in April, of responsibility for awarding road con-tracts from the transport department to the newly created Highway Agency which may be suffering some teething problems.

Comment sought

deal over lottery

on Cadbury

Siemens wins £400m power plant contract

By Andrew Baxter

National Power, the privatised electricity generator, has awarded Siemens of Germany a flercely contested contract to build a 1,350MW gas fired power station at Didcot in Oxfordshire.

The contract for the design construction and commissioning of the plant is valued at less than £460m. Mr John Baker, National Power chief. executive, said he believed it was the UK's must competitive power plant project.

The announcement came a

few days after PowerGen, the other big UK electricity generator, said it was paying 14tim in advance for its gas-fired power station at Connah's Quay, North Wales, to be built by the Anglu-French GEC Als-

thom group. The Didcot B contract is the first for Siemens from National Power, whose other combined cycle gas turbine stations have been, or are being, built by Zurlch-based Asen Brown Boveri and GEC Alsthorn.

But the German company has built two gas-fired stations for PowerGen, and Mr Juergen Gehrels, Siemens UK chief executive, said: "We believe that our successful track record in delivering total projects, on time and to budget, was a key factor in [National Power's] decision."

National Power is clearly delighted at the deal it has struck with Slemens. Two years ago it was thought the slation would cost about £450m. The project will upgrade generating capacity and meet tighlening environmental standards.

London to bear brunt of rail strike

By Stewart Daiby, Robert Taylor and Charles Batchelor

A 24-hour stoppage on British Rail got under way last night amid bitter exchanges between the RMT rail union and Railtrack, the company which runs the network.

London commuters were expected to bear the brunt of the dislocation although most of the capital's Underground stations were due to stay open. London Transport is not planning extra services, but as it carries 2.6m passengers a day it feels that a rail strike will not place undue strain on

Mr John Major, prime minister, answering questions in the House of Commons, indicated extra parking will be made

Mr Jimmy Knapp, leader of the RMT, accused Railtrack of "reneging" on a 5.7 per cent pay offer for 4,600 signalmen saying the network authority had provoked the stoppage. But Mr Chris Leah, Railtrack's chief negotiator denied the company had made the offer. The hardening of attitudes between the RMT and RailGatwick lights misled pilots who landed on taxiway

The failure of the Civil Aviation Authority to implement recommended changes in lighting systems at London's Gatwick sirport was yes-terday held partly responsible for an incident in 1993 when an airliner mistakenly landed on a

The crew of an Air Malta Boeing 737, with 101 people on board at the time, misinterpreted ground lights operating during night-time landings and touched down on a parallel taxiway instead of the stand-by runway they bad been instructed to use.

The incident came five years after another aircraft mistakenly landed on the same runway and narrowly missed a taxling aircraft. Disaster was avoided last year because the taxiway was empty at the time the aircraft

track may lead to further industrial action. Railtrack accepts that the signalmen have a genuine grievance over their relative pay position. However Mr Leah said last night that any extra rise for them beyond the proposed 2.5 per cent for all Railtrack employees would have to come through negotiation on a

new package of productivity.

Mr Knapp, however, said:

implemented because they were considered by the CAA to be unnecessary at Gatwick. The CAA was also auxious not to adopt a lighting system which was non-standard internation-

"Railtrack have dealt a body blow to industrial relations and the integrity of the company is in tatters. Who can believe anything they are told

It also constitutes a considerable personal test for Mr Robert Horton, chairman of Railtrack. Mr Horton, who left British Petroleum with a formidable reputation for toughness, has to show that he can

provide a working railroad it must compensate the train

operating companies. A failure to keep the trains running puts direct financial pressures on a company which is hoping to achieve a stock market flotation before the next election.

Londons two main airports have different problems. Gat-wick's main service to London is a British Rail line to Victoria station in London. It is expecting 54,000 arrivals today. Extra coaches have been laid on and it is trying to alert travellers. Heathrow, which expects

120,000 arrivals today, is con-

nected to London by the

Underground. Whenever there is a rail strike it experiences pressure on car parking. A sumny day is forecast and this could be a factor in persuading people into not going to work. During the last oneday strike it is thought that possibly a third of the 400,000 British rail commuters failed to make the effort. However, the last one-day strike was on

a Friday, not a Wednesday,

and employers might not view

midweek absenteeism quite so

favourably.

part of the lottery terminal which will dispense and authenticate tickets. The Commission said it was

terminal and to display Cad-bury Schweppes branded confectionery.

ture to see whether or not it

contravened EU rules on free

and fair competition - normal

practice for any joint ventures

that threaten, bowever

remotely, to create a dominant

position in the market. "This is

purely normal," said the Com-

mission. It said a decision would be taken within the next

two months, well before the

lottery's November start date.

retailers would be free to reject

the Cadbury's display and have

a terminal on its own. Retail-

ers could also accept the dis-

play and fill it with the prod-

Camelot is obliged "to use rea-

sonable endeavours to promote

the use by retailers of a display

unit supplied by Cadbury

Schweppes to hold the lottery

The Commission notes that

ucts of other companies.

Camelot emphasised that

Britain in briet



Professional advisers give 'poor service'

Accountants, lawyers and bankers overcharge and provide a generally poor service to their clients, says a survey of companies' views. Only half of companies felt

accountants provided a useful letter to management to accompany the annual audit, according to a survey of nearly 200 small companies, sponsored by Levy Gee, the accountancy firm. Just 19 per cent of businesses felt their bankers offered value for money, while half expressed dissatisfaction over value from their solicitors and 43 per cent from their accountants.

Few advisers explained adequately how fees were calculated, and accountants were singled out for most criticism over amounts charged. One respondent said there were often "too many round figures for comfort". Bankers and solicitors were also criticised for failing to keep their clients up to date

with developments.
Three-quarters of companies surveyed believed that their bankers did not understand their business sector. compared with two-thirds of solicitors and 43 per cent of eccountants.

Proton man leaves £27m

Mr David Brown, the former mechanic who founded Proton Cars (UK), the Malaysian car importer, left an estate of more than £27m.

Mr Brown, a friend of the

Malaysian royal family, died of a cerebral haemorrhage while riding an exercise cycle at his home in Cheshire in April. He was 45. His estate was valued at £27.1m gross, £25m net. A burly, extrovert figure with a robust sense of bumour seemingly at odds with his reputation for secrecy, he was on the point of taking Proton into Continental European markets.

Texaco enters gas market

Texaco is to enter the UK gas market and take advantage of deregulation. The US oil company has set np a subsidiary, Texaco Natural Gas, to market gas to industrial and commercial

Texaco is a big North Sea gas producer, and believes that this will enable it to offer competitive rates.

Housing boost 'unlikely'

Abolition of restrictions on how cash raised through the sale of municipal houses can be used to build new homes for rent "will provide no long-term solution to the bousing shortage"."

capital receipts has been at the centre of Labour opposition party policies to increase the supply of "council" bomes and create jobs in construction. But a report from the Joseph

COMMITTEE

Rowntree Foundation, the social research organisation. says that the receipts are concentrated in areas where there are high council bouse sales, not the greatest housing need. The only realistic way to increase investment in low-cost housing for rent is for council housing to be transferred to local housing companies, the report says.

Revenue union in US deal

The main Inland Revenue union has won agreement for a path-breaking agreement with the US computer company EDS as part of the contracting out of the Revenue's computer operations. Members of the Inland

Revenue Staff Federation have

voted to accept the deal with

EDS which guarantees existing conditions of employment. The union is particularly pleased that it has a union recognition deal as EDS is known as a non-union company in the US. Unions are winning more such deals in cases of contracting-out, especially where the Transfer of Undertakings (Protection of Employment) European regulations - known as Tupe apply. These are being revised in Brussels, and require most of a worker's conditions be maintained when a job is transferred. Unions and private contractors are seen to be becoming increasingly friendly.

Cigar-shaped development

The Corporation of London has given planning permission for a 222,000 sq ft building at One London Wall in the City. The cigar-shaped building was designed by Sir Norman Foster for a joint venture between Stanhope, the UK property company, and Kajima, the Japanese building contractor.

Wind code

The UK wind energy industry is to establish best practice guidelines in order to promote development of wind farms. The industry is responding to mounting controversy over development of farms, often in the face of local opposition.



t is 1994, and a nightmare event has taken place – the Channel tunnel has been blown up by a terrorist bomb planted by the Irish Republican Army.

The scene has so far occurred only in fiction - in a Graham Greene essay five years ago - but it is one that is still taken very seriously by Eurotunnel, the operator. Richard Morris, Eurotunnel safety director says: "Safety is upper-most in our minds. If we have e major accident we are dead

as a company." In spite of the financial and competitive pressures to run a full service as speedily as pos-sible, the company is faced with the commercial imperative of being seen to ensure against accident or terrorist attack. The sensitivity sur-rounding the Channel tunnel's record was brought into focus by the recent temporary sus-pension of Eurotunnel's freight service because of technical problems - the second incident in 11 days.

At the weekend, hundreds of volunteer passengers took part in e successful evacuation rehearsal, only to be delayed below ground by a power fail-are affecting the test of a Eurostar train.

The earlier two incidents occurred because of drivers bringing trains to an emergency stop in response to warning lights signalling non-

Eurotunnel argue that overzealous, as opposed to lax,

Jimmy Burns on Anglo-French efforts to safeguard passengers

What if, asked Sydney Bal-garnie of Britain's Road Haulability possible," he says.

let it happen.

Over the past year, the com-pany has set itself a strict regime of safety and security. running tests covering equip-ment and operations. The tests have to win the approval of an Anglo-French safety commission before Eurotunnel can be allowed to run a full service.

rollered so as to save



safety requirements were to blame, but the incident worried some potential customers.

age Association, Eurotunnel had been running e full freight and passenger service and hundreds of civilians had suddenly found themselves trapped? Panic at worst, or at best a decision by some travellers to switch back to the ferries. "We feel anxious that Eurotunnel should ensure the highest reli-

Eurotunnel knows it cannot afford a "crisis of confidence" such as that predicted by Mr Balgarnie, nor, epparently are government officials willing to

John Henes, British department of transport official on the commission, is insistent that there is no question of the safety certificates being steam-



"Safety is uppermost in our minds. If we have a major accident we are dead as a company," says Eurotunnel

Eurotunnel in the short-term. "It doesn't matter to us how soon or late the tunnel onens. Our obligation is to ensure that it is safe," says Mr Henes. Tests are continuing on sig-nalling equipment and fire alarms. The commission is also supervising a series of mock evacuations of tourist passen-gers. No one is guessing when

Security officials meanwhile have concentrated their efforts on ensuring that edequate equipment, staff, and operational hack up is in place already to prevent the threat of explosives being smuggled into the tunnel.

the final green light will be

Detective Superintendent Cliff Grieve, the UK head of ports and tunneling policy class failed to agree on powers says: "We are clearly eware of armed French police staports and tunneling policy

that the tunnel could be an IRA target and we are using the latest technology and the best advice to reduce that threat...but there is no 100 per cent secure transport sys-tem." The "latest technology" includes a state-of-the art X-ray system designed to maximise the accuracy of checks on suspicious vehicles by Eurotunnel's in-house security staff which have been recruited mainly from among ex-members of the armed forces. The advice has evolved from countless meetings involving police and intelligence officials on both sides of the Channel.

Security is also having teething problems. Yesterday. senior Home Office and French Ministry of the Interior offi-

tioned at Cherrington where the tunnel emerges in Britain. The issue may delay the start np of a full passenger service. One senior French police officer said this week: "The gun is part of our uniform. It is e symbol of the authority of the

of Agriculture. After some disrables to get the agreement of French customs officials not to

Within the UK, British customs officials responsible for building up intelligence on potential smugglers have privately complained that they

security chiefs on both sides of the Channel is one of consider-

nother issue of sover-A eignty has involved been the delicate negoeignty has involved tiation with Britain's Ministry cussion it invoked the word bring sniffer dogs on trains bound to London.

have yet to get as much information about passengers from Eurotunnel as that which is offered by ferry companies. Nonetheless, the overall sense one gets from talking to

ferences notwithstanding. No one is underestimating the challenges that lie ahead. As one senior security adviser put it "British Airweys lost £10m because of some IRA mortars that caused no physical damage." If a similar incident threatened the tunnel, the dislocation to operations could be massive.

able co-ordination, cultural dif-

In an FT survey on the Channel tunnel published on May 6, the name of Eurotunnel's safety director was incorrectly given.

First three months 1994

ING Group achieved good results for the first three months of 1994. Net profit increased by 26.8% to NLG 501 million (first three months 1993: NLG 395 million). Net profit per share went up by 21.3% to NLG 1.94.

Total assets increased by 3.2% to NLG 350.5 billion in the first three months of 1994. After the sharp increase by NLG 5.9 billion 1993, shareholders' equity decreased from NLG 21.5 billion at the end of December 1993 to NLG 20.7 billion at the end of

The Executive Board expects that for the whole of 1994 net profit will at least equal

Amounts in Dutch guilders	First three months 1994	First three months 1993	% Change		
(millions)					
Result before taxation	656	530	+ 23.8		
Net profit	501	395	+ 26.8		
(guilders)					
Net profit per share	1.94	1.60	. +21.3		
V. 1.	31 March	31 December			
	1994	1993			
(billions)					
Total assets	350.5	339.4	+ 3.2		
Investments	131. 6	132.1	- 0.4		
Bank lending	147.1	144,9	+ 1.5		
Group capital base	21.8	22.6	• 3.5		
(guilders)					
Shareholders'					
equity per share	79.75	82.70	- 3.6		



The report for the first three months of 1994 can be obtained at the following address: (Internationale Nederlanden Group, P.O. Box 810, 1000 AV Amsterdam. the Netherlands. Tel. (+31) 20 541 54 60. Fax: (+31) 20 541 54 51.

An educational experience

John Gapper on a chance for executives to study a topic relevant to their company in the US for free

re you a British executive interested in learning about how US companies run schools, reshape employment policies, or sell products to ethnic minorities? Is your company interested in public-private joint ventures in the UK, but ignorant about bow such ventures work in the US?

If so, you have a chance to study the topic that interests you at first hand, free.
The Financial Times is joining

the Commonwealth Fund, a US foundation, to offer a fellowship for up to 12 months to a UK company executive who wants to observe innovation in the US private sector. He or she will travel the US, seeing bow American companies are responding to competitive pressures, as well as social and

demographic changes.

If the offer sounds unusual to UK readers, that is because it emerges from a US tradition of private philanthropy largely absent in Britain. The new fellowship is an adaptation of the Commonwealth Fund's existing Harkness Fellowships. Since 1990, these have offered mid-career British professionals, mostly in the public sector, the opportunity to examine US innovation in their field.

In the past three years, this has allowed British doctors to examine the US healthcare system, and education professionals to observe changes in US schools. Last week, the prime minister's office announced that the UK government is to part-fund a new fellowship scheme based on the Harkness idea, offering Americans a chance to examine UK practice.

The Harkness Fellowships, although theoretically open to the private sector, have not attracted many applicants from UK companies. The new fellowship has been devised to broaden the scope of the awards. It will allow a UK company to observe changes in the US through the eyes of a younger executive whom it regards as a future leader in its industry.

Among those on the selection panel for the award is Howard Davies, director-general of the Confederation of British Industry. Davies says the new FT-Harkness fellowship is timely because the barriers between public and private enterprise are now breaking down in the UK in a similar manner to the US. He argues that although the fellowship may not be of direct short-term benefit to a company. it will gain in the longer term through the participation of a valued employee. There are many things that companies need to be prodded to do. A company may not see the short-term financial advantage of the experience, but it will probably learn something to its advantage," he says.

Keith Kirby, director of the Harkness Fellowships, says US companies are used to studying social and political change in order to adapt their businesses. and the fellowship offers an insight into how they do

Kirby says that the selection panel, including Ian Hargreaves, deputy editor of the Financial Times, and Sir David Scholey, chairman of the investment bank S.G. Warburg, will encourage broad-based proposals. "Narrow technical projects are less useful than something which will broaden the mind of someone who is likely to be at the top of their industry or field in due course," he says. The theme of the fellowship

is: "Renewing the company: sustaining competitiveness; improving business performance against a background of rapid social change." Information and application forms are available until October 6 from: Harkness-Financial Times Award, Harkness Fellowships, 28 Bedford Square, London WC1B 3EG.

John Gapper is banking editor of the Financial Times. He was a Harkness Fellow in 1991-92, studying education and training in US schools, colleges and



Crocodile scales

Motoko Rich meets busking boss Theo Lieven – pianist and president of Germany's largest PC manufacturer

he 250 music-lovers who gathered st St James's Church in London's Piccadilly for a performance of Mozart's Double Piano Concerto in April were, said one of the performers, a bit unusual. "When they clapped they really appreciated the music," says Theo Lieven. "Normally when I play in concerts you may have people there who clap because they have to."

Lieven, though, is a bit unusual himself. A planist who has performed with orchestras in Vienna, Berne, Louisiana and California, he is also president of Vobis Microcomputer, Germany's largest PC manufacturer and Europe's largest PC retailer. Some past audiences may therefore have felt compelled to applaud because they work for him. Lieven is one of an elite band of busking bosses that includes Trevor

Holdsworth, retired chairman of GKN (a pianist who has played with orchestras in London), Sony president Norio Obga (trained opera singer and international conductor in his spare time) and Kenichi Ohmae, head of management consultant McKenzie's Tokyo office (flautist who performs in Tokyo).

While he makes no simple con-nections between the disciplines of music and husiness, Lieven suggests that the motivations to play an instrument or head a company may be similar. "In the concert you have the clapping of the audience,

in business you have the clapping do something else," be says. of the bank," he says. "If you play That something else was a the piano you are your own conductor. So if you are not someone who knows what he wants you cannot play the piano. Or lead a company." For the Vobis president, piano playing intensifies rather than eases his lifestyle.

He has been leading the jet-set-ting life of a performer (he flies his own aeroplane) since 1991, when he met Hannes Keller, a software supplier and fellow pianist, at a press conference in Switzerland. In 1992, when recording a CD, they were noticed by William Kushner, conducter of the Lake Charles Symphony in Louisiana, in the US. Kushner invited the pair to play with the orchestra in the US.

The idea of getting paid to play gave Lieven such a thrill that he never hanked the cheque (for \$1,500). Indeed, the international piano foundation that he established at a villa near Lake Como in Italy in 1991 - which every year sponsors five pianists to take master classes with outstanding musicians - suggests he is keen to put more into music than he takes out.

Trained as a classical pianist in his home town of Aachen, Germany, where Vobis is based today, he won second prize in a city piano competition at the age of 18.

"If I had been the first-prize winner I would have continued but since I was not I decided to

That something else was a mathematics course at Aachen University, There, at the age of 23, he and a friend, Vobis partner Rainer Fral-ing, started a business selling Hewlett-Packard scientific calculators to classmates. Soon they had secured a contract to sell 2,500 HP calculators for DM1,000 (£400) each. From there the company expanded by about 50 per cent a year, opening shops throughout Germany and expand-

ing into 10 European countries. The business really took off, though, after Vohis launched its manufacturing divison when an order for Commodore computers failed to show up. Lieven was desperate for units and flew to Taiwan to see a computer parts supplier. By January of 1988, Vobis was making its own machines.

"At the time it was a short-term thing," said Lieven. But Vohis's operation grew, and now the com-pany is second only to Olivetti in PC production in Europe, with a turnover in 1993 of DM2bn.

A friend once likened Vohis's management style to the temperament of a crocodile. "They sit for bours and hours in warm water looking and looking, doing nothing and relaxing," Lieven says. "But the moment a zebra comes and they spot a chance for food, they snap it." Lieven prepares for concerts on the same principle. "One hour of effort a day is enough."

PRODUCTS

Michael Dempsey on corporate attitudes to air safety

Travel sense for high-fliers

helicopter crash not only wiped out decades of experience in the fight against terrorism in Northern Ireland; it raised questions about the sense of putting 25 senior personnel on one aircraft.

In the commercial sector, the risk of losing an entire higher echelon has long been recognised as an issue that has to be

"If this happened to a commercial organisation I would expect to see the share price collapse," says Michael Regester, a crisis management consultant with a long track record in the oil industry - a business that requires very senior staff to travel widely, often visiting remote sites by helicopter.

Companies, says Regester, have to prepare for the worst. "The basic rule is that you never put more than two directors on the same flight. And the company has to get across the message that it is not totally reliant on one

individual," he says. Regester warns that the loss of a high-profile director, hy accident or otherwise, can be devastating to a company.
Oil company Chevron rules that
no more than two out of three of its principal officers can fly on the same aircraft. A total of five directors can fly together but they must comprise no more than two executive and three non-executive directors.

"The thinking is obviously that in the event of an accident we've still got at least one principal officer to assume command right away," a Chevron spokesman says. "It's just commonsense. You cannot afford to have your board wiped out."
"Our board members do a lot

of travel offshore," says Chevron. "If they have to visit a rig they might use up to three helicopters, even though the party would fit

into one." IBM, the world's largest computer company, also has a policy on air travel. In August 1983, Don Estridge,

head of the company's Entry

a Delta Airlines flight crashed

Systems division, was killed when

at Dallas Airport. The loss of Estridge, a visionary wbo had championed the personal computer within IBM, arguing against colleagues who refused to believe that one day a PC would sit on every desk in the business world, was keenly felt.

By coincidence several other IBM personnel were also on that flight but in spite of the personal loss incurred, the crash did not wipe out a significant part of the

company's leadership.
IBM, which says its precautions predate the Dallas accident, issues an instruction letter on flight safety. It says no more than three country general managers or heads of divisions should travel on the same flight.

Checks are carried out on airline safety. For corporate jet and helicopter hire only approved companies are used and IBM is rumoured to inspect individual pilot's records. The aim is to ensure that a business jet containing senior staff is only piloted by a very experienced

While companies like Chevron and IBM have formal procedures on air travel, elsewhere dividing travelling parties is regarded as too obvious to need spelling

"It's an unwritten policy," a London-based spokeswoman for Japan's Nomura Bank explains. In January, Nomura's London arm sent 20 top staff in its bonds division to a fixed income conference in Prague. Mindful of eastern Europe's air safety record, the specialists travelled in three groups on separate

Taking a different approach. oil company BP has found that a new emphasis on the use of video-conferencing is one way to reduce corporate air

Britain's Ministry of Defence is already under pressure to contract out more facilities to the private sector. The armed forces view this trend with suspicion, but in the aftermath of the Chinook crash there would at least seem to be some lessons to be learned in the area of air

CONTRACTS & TENDERS

DEPARTMENT OF ECONOMIC DEVELOPMENT

PROPOSED NEW DOMESTIC ENERGY EFFICIENCY GRANTS SCHEME: APPOINTMENT OF MANAGING AGENT

The Department proposes shortly to invite tenders for appointment of a managing agent to develop and administer a new energy efficiency grants scheme for low income householders in Northern Ireland.

The new scheme will replace the existing Homes Insulation and Energy Grant Schemes and will offer eligible householders grants towards insulating and draughtproofing their homes, and advice on how to use energy more efficiently.

Organisations interested in applying for appointment as managing agent for the scheme are invited to register this interest, in writing, with the Department's Energy Efficiency Service, Room 88, Netherleigh, Massey Avenue, Belfast BT4 2JP (telephone 0232 529307) no later than 24th June 1994.

Further information on the scheme and the role of the managing agent will be ovailable to registered organisations on request.





COMPANY NOTICES



Following the DIVIDEND DECLARATION by Ford Motor Company (U.S.) on 14 April 1994 NOTICE is now given that the following DISTRIBUTION will become payable on or after 15 June 1994.

Gross Distribution per unit Less 15% USA Withholding Tax 0-3400 Cents 1-9100 Cents

Convened at \$1.52

Claims should be lodged with the DEPOSITARY; National Westminster Bank PLC, Basement, Juno Court, 24 Prescot Street, London E1 888 on special forms obtainable from

United Kingdom Banks and Members of the Stock Exchange should mark payment of the dividend in the appropriate square on the reverse of the certificate.

All other claimants must complete the special form and present this at the above address together with the certificate(s) for marking by the National Westminster Bank PLC. Postal applications cannot be accepted.

Dated 15 June 1994

HOTELS

Summer Paradise in DAVOS



Enjoy peak experiences at 1560 metres above sea level. Admire the unique alpine panorama in the fresh mountain air, revel in the rare alpine flowers, cool your tired feet in a mountain stream and have a holiday that should never end. Stay at the Steigenberger Belvédère and enjoy the treat of perfect hospitality

> Summer Paradise 7 nights with half-board, one massage and a trip on the world famous

Parsenn railway Per person in single or double room from Sfr. 1015.-(100 Sfr. = approx. £ 45.-)

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The Steigenberger Belvédère team is looking forward to your call!



STEIGENBERGER BELVEDERE

CH-7270 Davos-Platz, Tel. 0104181 44 12 81, Fax 0104181 43 11 71 STEIGENBERGER RESERVATION SERVICE: TOLL FREE 0800-89 88 52

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his week, the gleaming

Energy-efficient and allergy-free

Computers meet medieval building design in the green 21st century home. Andrew Taylor reports

centrally heated, four-bedroom house with a fuel bill of less than £50 a year, household systems controlled by the breath of disabled people and a low-allergen house designed for asthma sufferers can be seen at an exhibition just opened in the English town of Milton Keynes*.

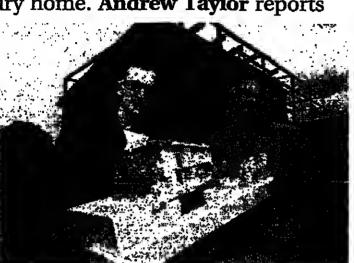
FutureWorld, sponsored by **Britain's National Housebuilding** Council, invited architects, builders and producers of building products and materials to provide a glimpse of the way homes may operate in the 21st century. All of the 36 dwellings have

had to comply with UK building and bealth and safety regulations and are to be sold when the exhibition ends on July 10. A buyer has already been found for one £40,000 property.

Common themes are energy efficiency and conservation of the environment. Builders have opted for materials from renewable or recycled resources as much as possible. Specially treated softwoods have been used rather than slow-growing hardwoods from diminishing tropical forests. Some properties incorporate Warmcell insulation. produced from recycled newsprint treated with gypsum. Paints and giues use plant extracts and natural pigments in many

Several homes incorporate sophisticated electronic controls. This includes an apartment for a disabled person – developed by the Electricity Association, Admiral Homes and the Charter Partnership - which uses an automated system allowing touch or breath control of doors, entertainment systems, telephone, electrical appliances, computer, lights and curtains.

The low-allergen house, sponsored by the National Asthma Campaign, filters and warms air entering the house. By changing the air every bour, humidity is reduced to the point at which the house dust mite is destroyed. Water-based and solvent-free paint is used to prevent an allergic



McKay and Baker-Brown with a model of the RIBA award-winning FutureHouse

insulation.

system. Supplementary heat is

provided by an oil-fired boiler.

The house has been built using

concrete block, brick and a timber

cladding. The 150mm blocks assist

Medieval builders knew that

thick walls helped keep heat in

during winter and warm air out

of the building during summer,"

says Baker-Brown. Sensors embedded in the walls

allow a £4,000 computer system

developed from an industrial

computer system by Satchwell

Control Systems to control the

blend of natural and man-made

estimated by the architects at

the building, help to prevent

condensation and damp. The

building has a large electronic

office for working from home -

energy-saving feature of them

to build or £650 a souare metre,

*Future World exhibition at Kents

FutureHouse cost about £130,000

"potentially the greatest

excluding land. Offers are

expected to start at £185,000.

Hill, Milton Keynes, runs until

ment funds of Deka International S.A.,

Luxembourg, which recorded major growth

Despite narrow margins in a highly

competitive market environment, the Bank's

earnings progressed satisfactorily. Interest

all," says McKay.

£40 to £50 a year.

heating. Annual heating hills are

The thick walls, combined with the natural convection flow of

One of the most exciting developments is by two former Brighton University architectural students, Duncan Baker-Brown and Ian McKay, whose energy-efficient FutureHouse design won the Royal Institute of British Architects House of the Future competition.

It combines traditional construction techniques and a custom-built computer system with of basic physics and medieval building design.

At its heart is a simple convection system incorporating a two-storey glass conservatory covering the south wall of the house. Air is heated inside the conservatory and rises to be either drawn into the house using a low-power fan or allowed to escape through windows in the conservatory.

Cooler air is drawn in through air bricks in the northern wall and passed under the bouse by convection. It is either cooled forther or heated depending on the soil temperature under the building.

Deciduous vines planted inside and outside the conservatory provide shade in summer and inhibit over-heating. Solar panels in the roof heat water for washing and the underfloor heating

Geneva headquarters of the secretariat of the General Agreement on Tariffs and Trade may look a little scuffed. Officials, still worn after the marathon of the Uruguay Round, opened their doors at the weekend to 300odd environmentalists and politicians from more than 100 countries. The subject was one of the most

troublesome legacies of the recent-ly-concluded Uruguay Round of trade liberalisation measures: the potential conflict between free trade and the environment. The message coming loudly, if chaotically, from the weekend's symposium was that messy and ill-tempered conflicts are

simmering on many fronts.

Peter Sutherland, director-general of the Gatt secretariat, left delegates in no doubt that, in his view, the environment would have suf-fered if the Uruguay Round had failed, because economic prospects in developing countries would have

Nevertheless, developed countries are still anxious that Gatt will erode hard-won environmental standards, while developing countries fear that these standards are protectionism in disguise. Gatt has set up a committee, due to meet for the second time next month, to address these worries and to tackle clashes between trade and environmental

principles as they arise.

According to Richard Eglin, director of Gatt's trade and environment division, potential conflicts fall into three categories. Much of the weekend's debate focused on the first of these: clashes between Gatt and high-profile international environmental treaties. These include the Montreal Protocol on curbing substances which damage the ozone layer, the Cites convention on trade in endangered species; and the Basie convention ou trade in haz-

ardons wasta. Each of these treaties appears to give signatories the right to ban imports which have been manufactured in an environmentally damaging way, even if the products themselves are not damaging.

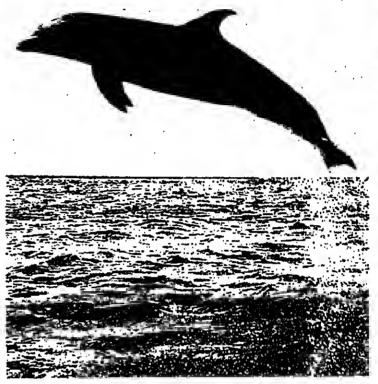
For example, in a hypothetical case cited by lawyers in Geneva, signatories to the Montreal Protocol might try to block imports of Taiwanese electronics, as Taiwan is not a signatory to the protocol, even if Taiwan argued that the circuit boards were cleaned with ozone-safe

Phillipe Sands, an environmental lawyer who is the founder of London University's Foundation for International Law and Development, says: "If you ask a trade lawyer which agreement takes supremacy, the answer is that Gatt prevails. But for a general international lawyer, it's not so black and

The Uruguay Round may be concluded, but it leaves a handful of potential trade conflicts,

explains Bronwen Maddox

Troubled waters



However, in Eglin's view, while these potential conflicts attract enormous attention because of the public interest in ambitious green treaties, they are largely academic at the moment. Tougher problems, he believes, are likely to arise from clashes between Galt and national or regional environmental regula-

The now notorious conflict between the US and Mexico on tuna

Delegates in Geneva cited a host of other areas in which they expected similar squabbles to occur, including Brazilian shrimp fishing, which some environmentalists believe harms turtles, and Danish standards for drink containers.

standards for drink containers.

Ira Goldman, trade representative
of the Governor of California, said
that the state is bracing itself to defend its rules on car emissions and on package recycling against European complaints under Gatt. Importers "are going to say bow can you insist that California's high standards are necessary, as New York state has different ones.", he said. California's response will be that ieveiling environmental standards would undermine regional diversity and opportunities for

One of the flercest battlegrounds is likely to be European Union rules for a packaging directive, which would set mandatory levels for use of recycled packaging. Developing countries are also concerned about EU eco-labelling proposals, which would label goods with a description of the environmental impact of

Martin Khor, director of the Third World Network, a Malaysian envi-ronmental group, said that Malaysian timber companies were acutely concerned that the eco-label would shut out imports of furniture made from Malaysian wood.

But Gatt secretariat officials stressed that while they are expecting appeals from countries which believe their products are excluded from markets by European environmental rules, it may prove hard to

Nell Robson, Gatt adviser on packaging exports, pointed out that as the European packaging directive does not specify where packaging must come from it is far from straightforward to show that it contradicts Gatt principles of trade,

Beyond these predictable squab bles lies an "unexplored black hole", according to Egila, containing questions of trade in services, transport and genetically modified organisms which, some might argue, were environmentally damaging. For example, some delegates suggested, a non-nuclear country might want to ban imports of electricity produced by nuclear power.

These issues will clearly embroil veterans of the Uruguay Round in further years of committee meetings. But judging by the huddles of packaging industry executives on the shores of Lake Geneva last eckend - and by the comments of Gatt officials - that unglamorous sector will provide some of the first battles. In Eglin's words, "it comes down to brown paper bags - that's where the real issue is because that's where the money is".

PEOPLE

fishing falls firmly under this head-

ing. Under the terms of the US

Marine Mammal Act, the

Americans want to ban imports of

Mexican tuna because the fishing

nets also kill dolphins. This week

Geneva is due to send out to Gatt

signatories the conclusions of its

second panel on the dispute. The

panel, it has widely been leaked,

has again ruled that the US is

In-house or boutique? Pundits swap

Roger Nightingale, 49, an early pioneer of global stock market strategy in London, has decided that working for a broker is more rewarding than running one's own investment

research boutique. Four years after setting up Roger Nightingale & Associ-ates, Nightingale and his firm are joining W.L. Carr (Far East), part of France's Banque Indosuez. Nightingale's decision to throw in his lot with Indosuez comes only a month after David Roche, 47, Morgan Stanley's stock market strate-gist, decided to set up his own

London research boutique. The two moves highlight the contrasting views of the viabil-

John Rink, 47, joint head of

ity of independent research firms in London. Roche, whose old employer is one of his biggest clients, says that it is absurd to think all research should be conducted in-house. However, Nightingale's experience raises the onestion of whether institutional investors are prepared to pay for research which they can get free from the big brokerage

Nightingale, who spent 20 years with Hoare Govett and is a non-executive director of M & G Investment Management says that it's virtually impossi-ble to make a business out of UK research on its own. By contrast, overseas clients in



the Far East and the US were more prepared to pay for inde-

Chartered, has been appointed

BANKING PRACTICE Review

Am Kelly, a former director

of British Railways Board and

former chairman of Women

in Management, has been

appointed a member of the POLICE COMPLAINTS

executive of the Tees and

Hartlepool Port Authority, has

been appointed chairman of

the POST OFFICE USERS

■ Anthony Close, a former group director of personnel

at Trust House Forte, has been

of the HEALTH EDUCATION

AUTHORITY. Tony King has

EXECUTIVE; be moves from

appointed interim chairman

NATIONAL COUNCIL

been appointed head of

networking in the NHS

Committee, in succession to

chairman of the Code of

Sir George Blunden.

AUTHORITY.

He says that everybody is "digging in the same pot of gold" but many clients prefer to get subsidised research from a broker rather than pay for it directly. He believes that the weakness of the big US bro-kers, which make most of their money from primary business, is that their research can become a little less frank".

Although his new employer is heavily biased towards Far Eastern business, Nightingale will continue to offer a worldwide investment view. He hasn't forgotten the advice of an old boss who told him always to make sure he competes in an area where the

pendent research. competition is weak.

Insurance moves

John Halls has been appointed client services director of IRISC. ■ Paul Swain, formerly a non-executive director of LIMIT and a member of its insurance panel, has been appointed a director of **CATLIN Underwriting**

■ George Stuart-Clarke, a former joint head of corporate finance at Lloyds Merchant Bank, has been appointed finance director of LLOYD THOMPSON GROUP on the retirement of John Birkmire Stuart-Clarke has been on the board as a non-executive director since 1991.

Neil Candeland has been promoted to director of finance at RAG Insurance Services. Martyn Hooper has been

the litigation department at Allen & Overy, the City-based international law firm, has been seconded to British Aero-space as its legal director for a period of "up to two years". Initially, his appointment will be on a full-time basis while he carries out a review of the structure of BAe's legal services, though it will not remain full-time for the whole two year period. He will be assisted by Jeremy Thomas,

another Allen & Overy part-ner, also seconded to the com-pany during this period. His appointment follows a "beauty parade" involving six City law firms, which was won by Allen & Overy. BAe said yesterday that as the company's interests became more diverse and it became involved in more joint ventures, particnlarly with international partners, there was a need to reappraise its legal services requirements. It would continue to use a number of dif-

ferent law firms to provide external legal services.

The Trades Union Congress will today announce the and communications director intended to provide it with a friendly modern image. John Healy has already done ster-ling work over the past year and a half providing a new style for MSF, the technical and professional union.

Healy used to work in the voluntary sector - with MIND, the mental health organisation, RNID, the body for the deaf and RADAR, which is concerned with disability and

Bodies politic

■ Colin Ray, general manager of the defence and industrial division of Brown & Root Technology; John Sellars, former chief executive of BTEC; and Sir Alan Thomas head of defence export services organisation at the MoD, have been appointed members of the ENGINEERING COUNCIL ■ Alan Bowkett, chief executive of Berisford International, and John Neill. group chief executive of Unipart, have joined the council of the INSTITUTE OF

DIRECTORS. ■ Tony Sheppeck, board member for finance of London Transport, has been appointed chairman of the NATIONALISED INDUSTRIES FINANCE DIRECTORS ■ Rodney Galpin, retired

chairman of Standard

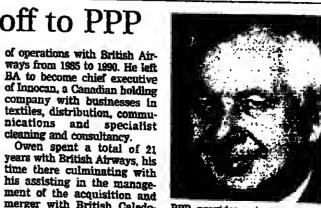
Owen flies off to PPP

Peter Owen, 47, who has just spent a year trying to transform the fortunes of Aer Lingus, where he was group chief executive, is joining PPP, one of the UK's leading providers of healthcare finance, as managing director. He starts his new job with PPP on August 1.

cleaning and consultancy. Owen spent a total of 21 years with British Airways, his A year ago Aer Lingus was losing If1.2m a week. Those annual losses of £62.4m have been reduced, though the current year's figures (which will be announced in October) are still likely to show losses in the region of 1956m. Owen joined Aer Lingus in May 1993, having been director

his assisting in the manage-ment of the acquisition and merger with British Caledonian in 1987. At PPP he succeeds Roy Forman, who announced his

time there culminating with retirement on July 1 1993, after 14 years with the company.



appointed a director of LOWNDES LAMBERT

PPP provides private medical care insurance for almost 2m people. In 1993 group income was £500m, with pre-tax profits

and lending to European public-sector borrowers was stepped up considerably. The year saw increased activity in the innovative market segments as well. Deutsche Girozentrale International S.A. is also the custodian bank for the invest-

Concentration on clearly defined whole-

sale banking sectors again produced good

results for Luxembourg-based Deutsche Girozentrale International S.A. in 1993.

Eurocredit market, we boosted total assets

Active principally on the Euromoney and

by 7% to DM 8.4 billion. A large part of this and commission income were up substantially, and trading operations were growth was attributable to an increase of DM 0.7 billion in the securities portfolio. again positive. Net profit for the year Interbank business showed significant gains, amounted to DM 7.5 million, a rise of 50%.

Backed by quality financial and human resources, plus clear goals, Deutsche Girozentrale International S.A. is poised for another successful year in 1994.

A copy of our annual report is available upon request.

Financial Highlights (DM million)	1993	1992
Total Assets	8,409	7,891
Balances with Banks	4,028	3,823
Advances to Customers	3,054	3,357
Securities	1,164	439
Liabilities to Banks	4,346	3,922
Other Liabilities	3,736	3,571
Capital and Reserves	199	194

BUSINESS YEAR 1993

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Television/Christopher Dunkley

' When comedians were craftsmen

was a golden age of television in the late 1960s and early '70s and those who run television today - especially the accountants - accuse you of wearing rose tinted spectacles. The reality was nothing like your fond memories, they say, nothing is ever as good as nostalgia suggests and if only you could judge those old programmes against today's you would realise they were actually pretty primitive and limited. Well, the BBC has recently enabled us to make such a comparison, in comedy at any rate, and the evidence suggests that the accountants are wrong. More-cumbe And Wise and Steptoe And Son really were superior.

Having decided to mount a series to mark the 10th anniversary of Eric Morecambe's death, BBC1 called it Morecambe And Wise: Bring Me Sunshine which was absolutely right. To watch was to remember how your face would go into a broad grin the moment you heard the signature tune and stay that way right through to "Bring Me Sun-shine" at the end. Moreover, that title emphasised the fact that these men were - in the case of Ernie Wise, still are not just comedians, but entertainers who certainly wanted to make you laugh, yet, beyond that, to hring sunshine into

The difference between them and today's comedy entertainers was, surely, their background. Today's comedians grew up watching Monty Python on television, but Morecambe and Wise grew up - not that many years earlier - in the music halls and variety theatres. True, they did stand-up routines; their television show always began that way, but music played a bigger part. Can you imagine Hale and Pace doing a wicked yet fond send-up of "Singing In

The Rain"? Or Enfield and but, in the tradition of panto-Whitehouse with their legs stuck in buckets doing "New York, New York"? It is not that today's performers would necessarily be incapable of mastering the routines; what would be missing is that affection which was central to everything that Morecambe and

Watch them with their guest Eric Porter when he says "Ah,

so you'd like a bit of Shakespeare?" and turns upstage to prepare s suitable extract. Eric and Ernie vamp till ready, then Porter turns back and, in heaviest Shakespesrian accents, intones "If they could see me now/That little gang of mine/I'm eating fancy chow and drinking fancy wine ..." and with dawning delight you realise that the three of them are going into a song and dance number. Before long they have a straw hat and silver topped cane apiece and are into the sort of soft-shoe routine that every entertainer of that generation seems to have learned as a invenile. Morecambe and Wise were not Astaire and Kelly, but they could do you a cramp roll or a ball change without thinking about it. Perhaps Rik Mayall and Adrian Edmondson could too, but I doubt it.

The number of "jokes" in a Morecambe and Wise show was often small (and in the repeats now being transmitted by BBC1 on Saturdays even smaller, because the original 45 and 50 minute shows have been cut to 30). Much of the humour came from "business". In this week's programme Eric went into a shop to buy a pair of binoculars and Ernie promised him his most powerful pair. Go to the other side of the shop and look at this pin. Ernie instructed, holding up nothing. The minute Eric's hack was turned Ernie whipped out a three-foot pin from under the counter ...

That, essentially, was the gag

mime, they milked it expertly until the audience was falling

In all those sketches where the two stars perpetually pretended to npstage their emi-nent guests, they actually did precisely the opposite and made them look good. Today's stand-up comedians exemplify the phrase: they stand up, and they tell jokes, but they do not spread a sense of fun, contentment and affection to 20 million viewers. As for the people who now make situation comedies, the example set by Galton and Simpson in Steptoe And Son seems to have been forgotten. With series such as BBC1's Once Upon A Time In The North, and ITV's two new Sunday series, Mother's Ruin and The House of Windsor, we have slipped back into the rut worn in the 1950s.

he picture quality

of The Lost Steptoes has heen poor, unsurprisingly, per-haps, since they were non-professional copies, abandoned for years in somebody's cellar (the BBC having destroyed the originals, of course). However, the high quality of the writing is still unmistakable. In the episode shown last week Harold, the son, has difficulty breaking it to his father, Albert, that Hercules, the horse that has always pulled their rag and bone cart, has died in the shafts and been unceremoniously removed - "For cat's meat!" the old man snarls to fury. Albert has always been the horse lover while Harold knows himself to be suspected of mistreating the animal. The point is that here, as in so many Steptoe scripts, the division between comedy and trag-

morning mist. Mother's Ruin is also about an adult son living with a parent, this time Leslie Flitcroft

edy is about as substantial as



Bring back the sunshine: Morecombe and Wise hoofing it up in their heyday

with his mother. He (Roy Barraclough, late of Coronation Street) is bald, unmarried, and panting for sex hehind the counter of the shop where he sells herbal nostrums. She (Dora Bryan) is an ageing theatrical luvvie who lurks upstairs pouring gin from a teapot, losing money on the horses, and making her son's life a misery. The set up may

ference is stark.

The laughs in Steptoe are induced as often by pathos or the wry recognition of some eternal truth about the human condition as by "funny" lines. In Mother's Ruin we are expected to laugh when Leslie says "He had a verruca" and his mother says "I thought it was

be no less authentic than that a Volkswagen". We are sup-in Steptoe And Son but the dif-posed to laugh when a man with a hangover says to Leslie "Get ont of here - both of you". We are invited to laugh at a schoolboy suicide attempt in which the pills turn out to have been laxatives. We are even meant to laugh at the line "I turned down spotted dick to come here". All change is not

Recital/Richard Fairman

Olaf Bär

has always been an important pre-condition if the arts are to flourish. By the turn of the 18th century the middle classes in Dresden were sufficiently well-off to enjoy widespread domestic music-making and a large amount of their chamber music and songs has come down to us.

The baritone Olaf Bär was born and lives in Dresden, so he is well placed to delve into the city's musical history. Naumann and Weber, Reissiger and Marschner were among the composers most active there, usually involved with the court opera. Bär included songs by each of them in his Wigmore Hall recital on Monday and gave a good idea of the sturdy Teutonic musical diet s Dresden family might have favoured after dinner around

By and large there are good reasons why we do not hear many of these songs today. One poet after another sets out for the hills. roams across green meadows. listens to the hunting-horns and generally finds his words set to an unremarkable melody supported by four-square harmony. In short, these are generic pieces and Bar treated them in a generic way.

His singing is admirable for its effortless balance of words and line, but a sharper imagination might have belped one or two come

individually to life. The opening stanza of Reissiger's "Das Schlachtfeld" talks of the moon shining with serenity, but no moon-lit shadows were cast by the performance, and helpful phrases later, like the fields "in hloody dress" looking on in borror, were not used to add much colour.

Much more interesting was the combination of songs by Robert and Clara Schumann, husband and wife also Dresden-based, after the interval. Clara's music is getting more attention these days (some record labels specialise in women composers) and on the evidence of songs like "Liebst dn um Schönheit", as tender as Mahler's setting, she could rise to equal the best. Her music is not tied down by the bar-lines, like the lesser examples heard earlier.

Bär found more to engage him in these and the Robert Schumann soogs. Though the voice is short on expressive quietly, he puts across outgoing songs, like "Die beiden Grenadiere" (not just Robert Schmann, but also a Reissiger setting) with more communicative energy than he used to. Perhaps the ever-supportive Geoffrey Parsons as accompanist might challenge Bär to give

Second recital, with half the same programme, today

Jazz/Garry Booth

Hugh Masekela

iles Davis described the young South African who had come to his attention in the 1960s as follows: "Hugh had his own approach to playing the trumpet . . . had his own sound. Every time I saw him I told him just to keep on doing his thing rather than trying to play what we were playing over here. After a while I think he started listening to me because his

playing got better." Davis followed Masekela's progress with interest, in the Manhattan School of Music. Prior to that he had studied at the Guildhall in London after John Dankworth secured bim a place there. He, like a number of his fellow hlack jazz musicians, including Dollar Brand and Dudu Pukwana, had been forced to leave Johannesburg in 1960 by the strictures of apartheid. And like them, just as Davis advised. Masekela has retained the distinctive musical colours of the townships to combine variously with his beloop, tig hand and funk influences

Now 65. and back in South Africa again, the trumpeter's recent recorded output has been characterised by a toughening up in both African and "western" funk attitude. Starting a two week stint at Ronnie Scott's on Monday, Masekela sounds in great form. The young band, which consists of keyboards, electric and bass guitars and drums, acts as a metronomic rhythm section to Ngenekhaya

Mahlangu's rasping tenor sax and the leader's explosive flugelhorn. Masekela sings too; a hoarse, shouted declamation which subsides abruptly into lilting harmonies filled ont by the

Indeed, it is a pity that dancing isn't possible in the main room at Ronnie's - it is too full anyway - because Masekela's jubilant highlife tinged numbers do more than tap feet. The sweet tunes with their clattering cowbells and chipping rhythms are irresistible. Masekela squeezing sparks ont of the horn to the encouragement of an ullulating andience is electrifying. The close, with Masekela tragically intoning the story of the Gold Train, is a lesson in how to build up a song for maximum effect.

London is lncky to have been a spiritual home to musicians like Masekela during the bad years. While it seems likely that the death of apartheid will mean that we in Landon will see less of Masekela, more of South Africa's unfettered dancing-in-your-head jazz will surely come our way from those he is now free to encourage.

Hugh Masekela is at Ronnie Scott's until June 25. Tel: 071 439 O747, Viva South Africa. an open air festival at Highbury Fields on July 9 Miriam Makeba plus Ladysmith Black Mambazo among others. Tel: 0891 300140



Paul Groves (centre), Neal Davies and Joan Rodgers

Opera/John Allison

La finta giardiniera

ozart's teenage operas, given a strong cast and producer, can easily hold modern audiences. Mitridate has enjoyed recent success at Covent Garden and Il re pastore drew enthusiasm at Opera North, but it is hard to imagine more alive and persuasive early Mozart than Tim Albery's staging of La finta giardiniera, which opened at Cardiff's New Theatre on Monday, Welsh National Opera having taken over Opera North's orig-

inal 1989 production. But then Finta, written shortly before Mozart's 19th birthday, is perhaps the most interesting of the composer's early operas. In its blend of comic and serious styles it foreshadows Così fan tutte and, especially, Le nozze di Figaro, and the extraordinary music accompanying Sandrina's nightmarish visions at the end of Act 2 anticipates not only Mozart's later style but that of his musical successors. Finta deserves respect, and gets it from Albery.

Alhery convinces one of its dramatic viability, which in fact is not consistently strong. He is belped by Tom Cairns's bold designs - bright green for the garden setting with contrasting reds and blues, a heap of soil with plastic flowers for Sandrina's garden - which play up to the opera's absurdities. It is fascinating to see a producer who in opera has been drawn mainly to dark dramas played out by a "people" - his Peter Grimes, for instance, currently in revival at English National Opera - direct a cast

Mozart's early opera deserves respect - and gets it from director Tim Albery for the WNO

of just seven with such a strong sense

of comedy. He draws intense performances from each singer. In her WNO debut, Joan Rodgers as Sandrina - the disguised gardener of the title, really a Countess - gives a heartmelting performance. Her creamy soprano plumbs depths of emotion she sings with poise hefitting the nobility Sandrina conceals. Janice Wstson is a commanding. brightly sung Arminda, Sandrina's arrogant and sometimes hysterical

rival, and plays the role for all it is worth.

The American Paul Groves portrays Count Belfiore with wit and reveals a firm, lyric tenor - a notable UK dehut. Another American, the soprano Cyndia Sieden, makes ber WNO debut as a truculent Serpetta. Ryland Davies celebrates the 30th anniversary of his first WNO appearance as a properly couric Mayor, and sings with a fine sense of musical style. The mezzo Ann Taylor-Morley, a rapidly emerging talent, is fresh and impetuous in the trouser role of Ramiro, and the baritone Neal Davies an appealing Nardo.

Finta is a long opera, but it files past in this stylish performance and because words - Amanda Holden's livaly translation is used - are projected with such clarity. Ivor Bolton's inflexible conducting is less than ideal, but does little to detract from a production that should not be

Further performances in Cardiff on June 15 and 18, before the production tours to Swansea (June 23), Birming-ham (June 30), Southampton (July 7) and Bristol (July 14).

INTERNATIONAL

■ BAD KISSINGEN

The annual music festival opens on June 24 and runs till July 17. Among this year's events are a Schubert recital by Andras Schiff, song recitals by Edita Gruberova and Wolfgang Holzmair, a Mahler concert with Christa Ludwig and symphony concerts conducted by Donald Runnicles, Vaclav Neumann and Vladimir Ashkenazy. The attraction of Bad Kissingen is its north Bavarian setting and the relaxed atmosphere of a former royal spa. The Regentenbau incorporates four elegant concert halls, and there is also a fin-de-siècle theatre (Kissinger Sommer, Postfach 2260, D-97672 Bad Kissingen. Tel 0971-807110 Fax 0971-807191)

BONN

Oper The season ends with performances of Antonio Carlos Gomes' 1870 opera-ballet Il Guarany next Mon and Fri, Tosca on Tues and Thurs, and Les Contes

d'Hoffmann on Wed (0228-773667)

■ COLOGNE

Philharmonie Tonight's concert is given by three saxophone ensembles, WDR Big Band play a Duke Ellington tribute on Sat. James Conion conducts Gürzenich Orchestra on Sun morning and next Mon and Tues evenings in Mahler'e Sixth Symphony. Plerre Boulez interContemporain on Sun in works by Boulez, Varese and Antoine Bonnet (0221-2801) Opernhaus Gwyneth Jones sings

Brunnhilde in Die Walkure tonight, Sat and next Wed. The season runs till June 28 with repertory including Gounod's Faust and Jochen Ulrich's choreographic version of Peer Gynt (0221-221 8400) Schauspielhaus The season continues till June 25 with repertory including Gonter Krämer's radical version of Fiddler on the Roof. James Joyce's Molly Bloom, Camus'

Caligula and Ibsen's Rosmersholm

■ COPENHAGEN

(0221-221 8400)

Tivoli Tomorrow: Michael Schoenwandt conducts Danish Radio Symphony Orchestra in works by Homemann and Richard Strauss, with horn soloist Michael Thompson. Frt: Michel Tabachnik conducts Orchestra of the Royal Danish Conservatory In Ruders, Schumann and Dvorak. Sat: Brahms' German Requiem (3315 1012)

■ DRESDEN

Semperoper Tomorrow: Zemlinsky's

Der Zwerg and Dallapiccola's Il Prigionero. Fri: Wotfgang Rennert conducts Hans Hollmann's new production of The Cunning Little Vixen, with cast headed by Patricia Wise. Sat: La clemenza di Tito with cast headed by Hans-Peter Biochwitz, Sun: The Bartered Bride. Sun morning, Mon and Tues evenings: Gluseppe Sinopoli conducts Dresden Staatskape in works by Ruzicka, Berg and Brahms, with soprano Barbara Hendricks. June 26: new production of Reimann's Mekusine (0351-484

■ FRANKFURT Alte Oper Tonight, tomorrow, Fri, Sat, Sun: American stage show

Spellbound, Mon: Diana Ross, Next Tues: first of eight performances of The Phantom of the Opera (069-134 0400) Oper Tonight, Fri, Sun: Sylvain Cambreling conducts Christoph Marthaler's new production of Pelléas et Mélisande, with cast headed by Catherine Dubosc, Urban Malmberg and Victor Braun (069-236061)

■ HAMBURG Staatsoper Hamburg Ballet Festival runs till Sun with guest performances by National Ballet of Canada tonight and tomorrow. John Neumeier choreographies of Henze's Undine on Fri and Mozart'e Requiem on Sat, and a Nijinsky gala on Sun. Operatic repertory resumes next Tues with Aida (040-351721) Thalia Theater Maly Theatre of St Petersburg is in residence till

Sun with Gaudeamus (040-322666)

■ LEIPZIG

Gewandhaus Fri: Kurt Moli song recital, Sat. Sun: Daniel Nazareth conducts Mid-German Radio Symphony Orchestra in works by Rossini. Respighi, Sibelius and Stravinsky (0341-713 2280)

LYON

Opéra Tonight, Fri, Sat, next Tues and Fri: Louis Erlo's adaptation of Dis Zauberflöte. Tomorrow, Sun. next Wed: John Nelson conducts Klaus Michael Gruber's production of La traviata, with cast headed by Giusy Devinu and Franco Farina (tel 7200 4545 fax 7200 4546)

MUNICH

Staatsoper Tonight, Sun: Bavarian State Ballet in an American programme, with choreographles by Lucinda Childs, Twyla Tharp and Robert LaFosse. Tomorrow, Mon: Nabucco with Julia Varady and Alain Fondary. Fri: Der fliegende Hollander with Eldehard Waschilha and Luana DeVol. Sat. Tues: Le nozze di Figaro with Carol Veness, Barbara Bonney, Boie Skovhus and Alan Titus. The Munich Opera Festival opens on July 6 with a new production of Tannhauser, staged by David Alden and conducted by Zubin Mehta (089-221316) Gasteig Tonight: Herbert Blomstedt conducts Munich Philharmonic Orchestra in works by Rakhmaninov and Sibelius, Tomorrow: Mikhail Pletney is conductor and plano soloist with Scottish Chamber Orchestra, Fri: Martin André

conducts SCO in works by Maxwell Davies, Edward Harper and James MacMillan. Sat: Munich Philharmonic Festival. Sun: Enoch zu Guttenberg conducts Munich Bach Collegium in choral works by Mozart (089-4809

A festival of renaissance music

built around Orlando di Lasso, runs till July 17, with most events taking place at the Residenz. Guest ensembles include The Tallis Scholars (information 089-982 8676 SCHLESWIG-HOLSTEIN The Schleswig-Holstein festival opens on June 26 and runs till August 21. Stretching from Westerland in the north to Hamburg in the south, the festival embraces everything from family music days in country barns to high culture. This year's programme places a special emphasis on Jewish music. There are visits from the Israel Philharmonic and Jerusalem Symphony Orchestras, and performances of music by Jewish composers banned during the Nazi era, plus Mendelssohn and Mahler. There is also a retrospective of Beethoven, whose Missa Solemnis is conducted by John Eliot Gardiner at the opening concert in Lübeck.

Other visiting artists include Thomas Hampson, Midori, Yevgeny Kissin and the Kirov Opera Orchestra (Kartenzentrale des Schleswig-Holstein Musik Festivals,

■ STOCKHOLM

Royal Opera Tonight: Natalie Conusta production of Swan Lake. Tomorrow: choreographies by Ulf

Postfach 3840, D-24037 Kiel. Tel

0431-567080 Fax 0431-569152)

Gadd. Ulysses Dove and Balanchine. Fri: Beryl Grey's production of Sleeping Beauty. Sat: Natalia Makarova's production of La Bayadère. End of season (08-248240)

■ STRASBOURG

Palais de la Musique Tornorrow. Sat: Bulgarian National Opera presents concert performances of Verdi's Otello. Fri: symphonic and choral programme featuring works by Rimsky-Korsakov and Prokofiev (8852 1845)

■ STUTTGART

STAATSTHEATER The main event this week is a new production of Wagner's Die Melstersinger von Nürnberg opening on Sun, staged by Hans Neuenfels and conducted by Gabriele Ferro. The cast is headed by Wolfgang Probst as Sachs and Jom Wilsing as Beckmesser (repeated June 22 and 26). Repertory also includes Cosi fan tutte and a ballet evening (0711-221795)

Vladknir Ashkenazy gives a piano recital tonight, followed by Krystlan Zimerman on Fri. Nederlands Dans Theater presents its new Mondrian programme at Theater im Forum tonight and tomorrow, with choreographies by Jiri Kylian and Hans van Manen. Next week's highlights include two performances by Paul Taylor Dance Company and a concert by the Berlin Radio Symphony Orchestra conducted by Ashkenazy. The festival continues

till September (07141-939610)

LUDWIGSBURG FESTIVAL

ARTS GUIDE

Monday: Berlin, New York and Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide.

European Cable and Satellite Business TV (Central European Time) MONDAY TO FRIDAY NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY NBC/Super Channsl: FT

Reports 1230.

Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY NBC/Super Channel: FT

Reports 1230 NBC/Super Channel: FT Reports 1230

SUNDAY NBC/Super Channel: FT Reports 2230 Sky News: FT Reports 0430, 1730;

Sky News: FT Reports 0230, 2030

Tasty dish to set before the City

Michael Skapinker examines the recent recovery in London's restaurant scene

recently, Mr Roy Ackerman, a well-known restaurateur and food publisher was accosted by a waiter from a Greek taverna.

The waiter had saved £100,000. A friend had accumulated a similar amount. They wanted to open their own res-taurant. Did Mr Ackermen think the time was right?

Mr Ackerman, president of the Restaurateurs Association of Great Britain, says a growing number of people have decided it is the right time to open a London restaurant. In the past two months, 30 new establishments have opened. During the same period last year, fewer than 10 opened.

Two London-based restaurant groups have been floated on the stock exchange in recent months: Chez Gérard, which includes Bertorelli's in Covent Garden and Café Fish off the Haymarket; and My Kinda Town, which runs the Chicago Pizza Pie Factory and Henry J. Bean's.

Several chains plan to expand. Chez Gérard wants to increase its restaurants from seven to 14 over the next three years. Corney & Barrow began this year with seven City establishmeots. By the end of the year, it expects to have double that number.

Mr Joel Kissio, managing director of Conran Restaurants, which includes Le Pont de la Tour oear Tower Bridge and Quaglino's in the West End, says he first noticed a substantial improvement in business last November.

The company was not eure whether this heralded the end of the recession or was the result of an American Express advertisement featuring Sir Terence Conran, Mr Kissin's partner. However, staff turnover at the restaurants began to rise and Mr Kissin noticed it was becoming more difficult to hire waiters, suggesting business had improved elsewhere.

Other restaurants have noticed greater employee movement too. Mr Neville Abraham, chairman of Chez



Gérard, says this is one sign of

a return to normality.
"At that age, 24 or 25, people are very mobile and will go off to Australia with a girlfriend at the drop of a hat," he says. "But in a recession, people are afraid. They don't went to eave a secure job.

THREE CAUTIOUS

OPTIMISM' SPECIALS

Mr Christopher Brown, man-aging director of Corney & Barrow, says business began to pick up last October. When staff at SG Warburg received their bonuses in April, Corney & Barrow in Broadgate had its second best day ever (the hest was the Conservatives' election victory in 1992).

he recovery in City restaurant business is more noticeable than in the West End. Mr Mark de Wesselow, publisher of Square Meal, a guide to City restaurants, says City employees are eating out more than staff at West End husinesses, such as advertising agencies.

There are, nevertheless, signs of increasing husiness throughout London. Mr Ackerman's list of new restaurants includes suburban establisbments north and south of the river. One of the factors encouraging new entrants is the property downturn, which has resulted in lower rents. Even in the City, however, restaurateurs have had to

maka adaptions to benefit from the upturn. Corney & Barrow is converting its establish-ments into wine bars, largely hecause this enshles it to attract evening trade.

Mr Brown says it is difficult to get a decent return from a City restaurant which is open only for lunch, and not on weekends. When you take bank holidays into account, City lunchtime restaurants are open on average 4.7 times a week. People will not stay in the City for an evening meal, Mr Brown says. But they will stay for a drink and a little food. At lunch times, his cus-tomers have a light meal and non-alcoholic drinks. In the evenings, they drink alcohol.

Several of the new London restaurants offer an ettraction in addition to food, such as live music, Mr Ackerman says. Outsida the city centre, restaorants are attracting a younger clientele, looking for entertainment as well as a meal.

He says the most successful establishments are in the cheap or mid-price range, appealing both to diners who were too young to go to restau-rants when the recession began and to older customers looking for less expensive places to eat.

Mr Ahraham wonders, however, whether the recovery is strong ecough to sustain the new restaurants. He says: "I'm still quite nervous about the economy. My instinct is to be very cautious. I don't think we'll go back to the way it was at the end of the 1980s.

He also questions wbether the new restaurants have the husiness skills to succeed. In the 15 years he bas been in the restaurant trade, he says, the quality of London chefs and of the capital's food have improved out of all recognition. He says he has noticed little improvement in the quality of restaurant management, "It never ceases to amaze

me, the optimism with which people open restaurants," he says. "ft's often because The perceived shortcomings have come to notice recently as they've always wanted to cook critics, including Mr John rather than because they've Baker, chief executive of looked at their potential as National Power, the main electricity generating company, The review of the UK's electricity pricing regime must tread a fine line, says Michael Smith

Don't shoot, I'm only the regulator



and opposition Lahour MPs have pointed to the idiosyn-cratic styles of different UK regulators and called for a more co-ordinated and consistent regime. Prof Littlechild, together with Mr Ian Ryatt the water regulator, who is conducting a parallel exercise, will thus be subjected to searching scrutiny in their application of

judgment undoubtedly played

a part. But share-holders in regional

electricity companias in England and Wales would find it hard to deny that they have been lucky since they bought into the sector four years ago.
London Electricity, which
serves the capital, should kick

off the results eeason today with another set of impressive figures. Its profits performance has contributed to the shares

more than doubling in value since flotation in 1990. In spite

of recent falls, they have out-performed the FT-SE-A All-

Share index hy 68 per cent dur-

ing the period. Back in 1990, the power

industry was viewed hy the City as e safe but dull invest-

ment. London is not excep-

tional among power compa-nies, most of which have

performed similarly. East Mid-

lands has outperformed the market by more than its Lon-

its profits for 1993-94 will be

depressed by £130m because of

poor ecquisitions. However,

the good times may be coming

Professor Stephen Little-

child, the industry regulator,

will shortly announce the

ing regima which helped the regional companies to make

their unexpectedly high prof-

its, and which is now consid-

ered to have been too lenient.

He is threatening to be tough;

draconian", eccording to

industry insiders.

Prof Littlechild is reviewing

the distribution prices of the 12

regional companies and the

two Scottish power companies, privatised in 1991. Distribution

accounts for more than 80 per cent of the companies' profits in England and Wales, and 40

and 20 per cent respectively at

Scottish Power and Scottish

tant both for the companies

and the customers, for whom

distribution costs constitute a

quarter of their electricity

bills, it also has wider implica-

tions. Increasingly, countries from the Pacific Rim to South

America are privatising their

utilities. Since the UK has been

in the forefront of transferring

electricity, telecommunications

and water to the private sector.

Its regulation model is studied

both for its qualities and its

While the review is impor-

Hydro-Electric.

to an end.

the regulatory regimes.

Prof Littlechild must tread a fine line: if he is too tough in setting price targets, he risks the regional electricity compasuccessfully challenging his decision through the Monopolies and Mergers Commission. At the other extreme, less stringent prices could lay him open to charges that he is favouring already rich companies at the expense of consum-

In retrospect the controls which have allowed English and Welsh companies since 1990 to increase distribution prices by an average of 1.1 cent above inflation every year seem woefully inadequate for an industry which has made significant cost reductions; even the companies admit pri-vately that they have had a relatively easy ride.

They deny, however, that they misled the government

about what could be achieved after privatisation. "No one expected to be able to implement the kinds of jobs reductions or efficiency improvements which have been effected," says one executive. The companies have typically lost more than 20 per cent of staff; Eastern, the largest regional power company in England and Wales, has cut jobs from 8,770 in March 1990

ther efficiency measures have included cutting layers of management, more flexible working, improving purchasing, and setting up business centres where profits, rather than cost, are the focus. In addition, capital expenditure has been lighter than expected because of the recession.

The result of these chang and the relaxed price control regime is that the companies and their shareholders enjoy an embarrassment of riches. For instance, London Electricity's forecast pretax profits for 1993-94, at between £180m and £190m, compare with just £126m in the year before privatisation. This has enabled the company to double dividends to shareholders from 10.45p per share in 1991-92 to an expected

22.4p for 1993-94. Similar progress has been made by each of the other 11 regional companies and, to a lesser extent, the Scottish groups with their tighter price controls. But the underlying performances of the regional companies may be even better than the companies are stating publicly. Most of the regional companies have set aside sub-stantial sums to meet future potential costs such as redundancy pay and pension provi-

To charges from consumer groups of profiteering, the companies point out that customers have also benefited from privatisation. Services have improved and prices have fallen in real terms for all but the largest customers. This year domestic tariffs have fallen by 6 per cent in some areas at a time when most European countries are experiencing price rises.

Consumer groups say the effect of privatisation is less clear-cut since prices rose prior to 1990 as the government sought to enhance profit levels and thus make the industry more attractive for investors. Prof Littlechild's task is to assess how far the division of

post-privatisation spoils needs to be reallocated. The regional companies do not like the way be is tackling it. Their overridhe is tackling it. Their overrid-ing objection centres on his definition of capital invested in the businesses. This is crucial because the price controls which will be set for the next five years will take into account what he considers to be an adequate rate of return on capital.

on capital.

In a letter to the companies he has indicated that he ne nas indicated that he favours a rate of 6 per cent. He has suggested that the definition of capital employed in the business should be the market capitalisation of the companies should a year after properties. about a year after privatisa-tion. The companies argue that the true figure for capital employed should be what it would cost them to replace their assets. The distinction between market value and replacement cost is important to the companies: the post-pri-vatisation market capitalisation of the sector was £8bn whereas replacing assets could

currently cost £12bn in total.

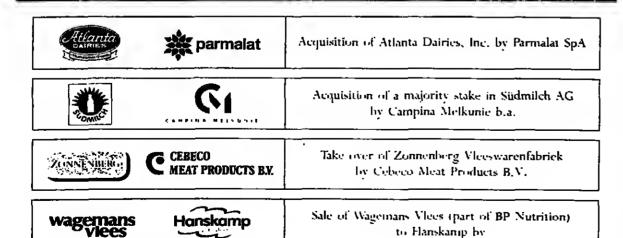
It is in the toterests of the companies to win as generous a definition as possible on capi-tal employed. The regulator is suggesting they might earn 6 per cent on a figure less than half that which they estimate

is adequate. Observers auggest that if Prof Littlechild is unwilling to compromise on this tricky issue, the regional power companies in England and Wales would be forced to reduce distribution prices next April by up to 20 per cent. He has indicated that in future years they would be able to raise prices by inflation mimus 4 per cent. In times of low inflation that would mean price cuts.

While this would disappoint some consumer groups, the regional companies say they could not tolerate it. "Right now we think the MMC would give us a better deal," one chief executive said yesterday. If Prof Littlechild sticks to his line, the returns for us would be woefully inadequate." Some of the companies are already devising strategy for appealing to the monopolies commission. Prof Littlechild's review is sure to arouse controversy.

But it is likely that a compromise on price controls will be reached to placate most, and probably all, the 14 companies. Whether this will satisfy consumer groups, which feel the utilities have profited at the expense of customers, is doubtful. Power companies may continue to reap rewards which many consumer advocates find

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

shown of instability

From David Harley.

Sir, You maintain on your front page of June 14 (international edition) that governments across Europe have expressed concern "about the stability of the European Parliament" after the recent election, but you fail to provide any serious evidence to substantiate this sweeping and alarmist judgment.

The political forces represented to the new parliament directly reflect political trends in the member states. The case has yet to be proved that the emergence of new political groupings, or fragmentation into a multiplicity of lists such as in France, necessarily leads to "instability". Indeed, instability is more likely to be the cause than the result of this situation. Democratic societies evolve, as the FT would usu ally be the first to point out: parliaments exist to reflect and

integrate that evolution. We were particularly intrigued by your reference to anonymous senior German officials muttering darkly about "unpredictable factions threatening to disrupt Bonn's relations with the newly elected parliament. No men-tion, on the other hand, of tha absence from the new parlia ment of the German Republikaner, surely an unpredictable faction par excellence, who polled 7.1 per cent in the 1989 European elections hut failed to win a single seat this time

Again, your reference to between 80 and 100 MEPs unattached to formal left or rightwing party groups in the par-liament is hordering on the gratuitous. in all probehility new groups and new alliances will be formed in the new parliament: surely you are not suggesting that there will be unattached French and Italian MEPs continuously fomenting instability between now and 1999?

We would urge you to eschew dire predictions and instead to judge the European parliament on its actions over the critical months and years that lie ahead. David Harley.

odviser to the secretary-general European Parliament,

No evidence | Banking on two-way checklist are on your own wavelength); business on our principles, and

the bank);

I refer to Ian Hamilton Fazey's article on the subject of NatWest Bank's checklist ("Campari for accountants"

June 14). Naturally enough, we also use Campari as our checklist for assessing which bank we wish to use - such assessment should also be two-way. Our

version reads as follows: C = Compatibility (It is easier to do business with people who

changing world - flexibility is M = Managers (We have quality people - likewise, so should

perform, but so do the banks on our behalf); A = Accessibility (We need computer access to account data);

P = Performance (We have to

I = Interest (No, not what it charges, but its interest in us). Oh, and by the way, when I

sit down with our bank manager to enjoy a refreshing Campari, he is from NatWest! Martin Watts, managing director. Campari GB, 45 New Street, Henley on Thames R = Rationality (We run our | Oxfordshire RG9 2BP

建筑的现在分词

Assurances given for Brixton project

From Councillor Anna Tapsell.
Sir, Considerable concern
has been generated since the
local elections about the future of Brixton Challenge, particularly in relation to problems that could arise in sustaining the council's commitment when no one political grouping has control.

Your readers will he aware that Sir George Young wrote on May 26 to all three political group leaders in Lambeth seeking assurances on a number of matters. Since then all three of us have examined to detail the targets Brixton Challenge has been set and the level of supnort that needs to come from the council to ensure that those targets will be met. To make commitments without

that detailed scrutiny would have been irresponsible.

All three leaders have now

written to Sir George Young to give blm, as the minister responsible, our wholehearted support to the programme for Brixton and the specific under-takings that he sought, which should enable him to release year two's funding.
There is no doubt that any

further delays to this approval will greetly undermine the implementation of many worthwhile projects and put at risk the financial stability of the larger developments on the central site.

A great deal of progress has already been made in the past nine months to consolidate the working arrangements London SW2 1RW

between the board of Brixton Challenge and the council. Despite its "hung" situation the council experienced no difficulty in gaining cross-party support for further fast-track measures that will assist the speedy implementation of chal-

lenge projects. I have no doubt that Sir George Young genuinely wishes to see Brixton Challenge succeed. It would be tragic if the argument currently being pursued by his Tory colleagues about the future of urban funding was to find its first victim in Brixton. Anna Tapsell, Leader of Labour Group, Lambeth Council, Town Hall,

Danger of marginalising UK aerospace industry the RAF did not procure the FLA. There would be knock-on

Sir, The Hercules replacement decision ("Herculean task for UK defenders", June 13) raises two important questions about British government policy. First, acquiring the C-130J would mean short-term hudgetary pressures prevailing upon the long-term interests of the British aerospace industry. Given the close relation hetween tha FLA (Future Large Aircraft) and Airbus programmes. British Aerospace'e position in the latter would inevitably be compromised if

From J E Fairweather.

consequences for Britain's aerospace equipment and aero-engine industry, which would lose FLA and Airbus work, gaining comparatively little in return for the C-130J Second, the decision to procure the American C-130J for

the RAF would stand in stark contrast with the call for "enhanced, co-operation in the fields of armaments" among western European nations, western European nations, nology, contained in the Maastricht The University, Manchester

treaty. The FLA is the only significant European defence equipment programme for a long time on which all European governments' views coincide. It would be a abane if the government's budgetary preoc-cupations marginalised the British aerospace and defence industries from developments

at the heart of Europe. Alain Deckers, ostyraduate student programme of policy research, Engineering, Science and Tech

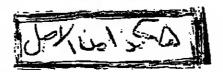
Housewives run the economy as husbands chat

ble for the economy. The hus-

from nothing", June 9). Sir, Your correspondent I would draw his attention to Alexandar Nicoll, seems sur-prised thet a "housewife" could achieve what Mrs Radia the book of Proverbs, chapter 31, verses 10 to the end. There he will find that housewives Kader has achieved ("Housewife Who built empire have in the past been responsi-

bands sat by the gate chatting - the sum total of their contribution.

28 Furnival Mansions, Wells Street,



FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Wednesday June 15 1994

Bad start for Railtrack

Today's one-day rail dispute in the UK is an inconvenience for millions of people who rely on rail transport, and an unwelcoma reminder of the bad old days. It is more than an inconvenience for Railtrack, the state-owned company set up in April to run British Rail's track and signalling operations as it is privatised. In its first few months of exis-

tence, it needs to win the confi-dence of its customers and con-clude dozens of deals with the train-operating companies and the track maintenance companies. A one-day strike of Railtrack's signalling staff, with the promise of more to come, is an inauspicious

Further, with its own privatisa-tion hoped for before the next election, Railtrack is caught in a bind. It wants to keep down its wage costs to maximise its sale price, but if it continues with its hard line against the RMT rail union it will face a growing bill for compensation from track users unable

Railtrack is not blameless for ger-happy RMT.

demanding some of that money now - and without a link to pro-ductivity changes. To strike for such a deal is more than prema-ture: it is irresponsibly exploiting Railtrack's vulnerability at a deli-cate stage in its development Railtrack's vuineraminy at a cen-cate stage in its development.

More than 100 years of adversar-ial industrial relations on the rail-ways will not disappear overnight.

But now that the railway system is being exposed to market forces, the new rail managers are under even greater pressure to manage change without industrial conflict.

the current mess, which involves

a pay claim going back seven years. It appears to have indicated that it was ready to offer an

interim pay deal to signals staff, before withdrawing the offer and saying that an offer would only be made at the conclusion of productivity talks.

The union, however, must take most of the blama for today's events Reitrick accepts the being

events. Railtrack accepts the logic of a catch-up payment for signals staff. But union members are

Jumping beans

Even in world markets every dog has its day. While bonds and equities have plunged, real assets have staged a striking come back. Yes-terday base metals such as copper and aluminium hit new highs for the year. Others that have soared in recent weeks and months include coffee, rubber and wool. Oil has managed a modest uplift. Does this presage a renewed bout of inflation?

It seems unlikely, even though surging commodity prices have often foreshadowed inflationary problems in the past. There is nothing in the macro-economic environment to match the explosive growth of foreign exchange reserves or the oil shocks of the 1970s. Nor is synchronised eco-nomic growth creating excessive pressure on commodity supplies

is it did two decades ago. Since the 1970s the structure of global industry has become less sensitive to commodity price rises.

The use of oil per unit of GDP is reckoned to have fallen by some 40 per cent and the newer information industries rely on cheap, light toputs such as silicon more than expensive heavy metals like a low proportion of total costs. There are, admittedly, new cartel beans, bellies and barley.

agreements in soft commodities such as coffee. Yet demand for such products is price sensitive hardly a good omen for a cartel. In reality, commodity prices are

rising from an exceptionally depressed base. So much the better, since it will prevent producers from closing down capacity. thereby restricting supply and creating potential bottlenecks. The surge is a predictable response to the strength of the US recovery. It also reflects demand from the fast growing Asian economies, including China. And the hedge funds, gored by the bear market in bonds, have switched their febrile attention to commodifies

Yet gold, which Fed chairman Mr Alan Greenspan admits to watching, has obdurately failed to levitate, partly because a non-in-come yielding investment is expensive to hold when real interest rates are high. This points to volatility in the course of a cyclical upturn rather than a sustained, financially-driven bubble And with competition in retailing in the developed world still fierce the recent rise will be felt more in copper. Raw materials account for profit margins than consumer prices. No reason yet to panic over

Student vouchers

In the past five years, the proportion of 18-year-olds going into higher education in the UK has doubled, an expansion in student numbers widely seen as essential for improving the country's competitiveness. Yet this enormous expansion has taken place within a framework of higher education largely designed in the last century to educate a much smaller elite. It is not surprising, therefore, that the system is coming under strain.

Chief among those pressures is funding, made more acute by the UK tradition that the state pays most of the cost. The government's solution has been to avoid increasing funds to match the rise in student numbers. Universities have been able to improve productivity, but much of the saving has been at the expense of straining university staff and facilities, if not at the expense of quality. A further squeeze is planned.

Such measures are inevitably short-term in scope and arbitrary in consequence. University vicechancellors and principals have become increasingly vocal in their protests over shortage of resources. Their difficulties have been compounded by wild swings in policy. When the government launched the recent expansion drive, it offered enticing incentives to those institutions that were most successful in attracting students. When this worked better than anticipated, the incentives were hastily reduced.

Universities cannot so easily change direction. A clear course is needed that allows them to plan development. Their top managers have increasingly recognised that greater stability would come from breaking the dependence on funds allocated by the higher education funding councils. Hence the growing interest in a shift from grants paid by Whitehall to fees paid by

or for students. The latest manifestation of this is Monday's report of the Higher Education Quality Council, which monitors the quality of degree courses. Its starting point is the need for changes to encourage greater flexibility in higher education. Moch-needed measures are proposed to make it easier for students to move between universities, to work while studying and to re-enter education after breaks. ensure that such measures do not assets?

undermine the quality of higher education. But it goes on to look at how the funding of students can be reformed to encourage flexibility. The answer is to move to a "credit-based formula", or vouchers. Students would be allowed to buy the education they desire while universities would be rewarded for their success in responding to student choice.

The report finds that there is considerable agreement in principle to such a move. Academic staff are wary of students who make several changes during their degrees, arguing that institutions can suffer destabilisation. But many previously opposed to vouchers have been persuaded of the advantages of a funding sys-tem that would be less prey to the judgments of a quango and the whims of ministers.

That is welcome. Vouchers would also bring many other advantages, including the opportunity for universities to charge top-up fees. Those that believe they offer something special should be able to charge more. Individual students are best placed to judge whether the additional cost is merited.

But the acceptance of the principle of vouchers is only a starting point. Implementing the policy would involve many awkward questions, including the value of the voucher and whether it should be the same for all subjects. Some courses cost more than others training doctors for example. Then there is the question of whether the voucher should be worth more for courses that are considered national priorities, such as science or engineering. And if students are to pay, a graduate tax would be better than the current loan

Perhaps the most difficult ouestions to be faced, however, are those confronting the politicians. Free higher education is a highlyvalued component of the middleclass welfare state. Reforms to place more of the burden on those who benefit from higher education risks their votes. Both ministers and the opposition have shied away from that prospect. Will they be able to find the courage now to provide those who run higher education with a funding system equal to the task of expanding provision without eroding the quality The report examines ways to



For politicians and political analysts. election results are irresistible. Even when the direct consequences are insig-nificant and the turnout low, you still get a much bigger sample of public opinion than in

any mere opinion poll.

So we eagerly weigh the results of last weekend's elections to see whether German Chancellor Helmut Kohl is now sure of re-election in October, or whether UK Prime Minister John Major can survive. Fair enough, so long as one remembers that many more people will vote in national elections, and that those who did vote would not necessarily vote the same way if they were choosing a government. Since they were actually choosing

a European Parliament, and since the results were released in all 12 European Union member states on the same day, it is even more tempt-ing to draw conclusions about the political future of Europe as a whole. More tempting, but also more hazardous. The low turnout suggests that many voters either had no strong feelings on pan European issues, or were not convinced that this election offered an effective way to express those feelings. Among those who did turn out, significant minorities in France and Denmark voted for lists whose main plank was opposition to the Maas-tricht treaty. Elsewhere, the vast majority voted for candidates whose position on European issues was only one feature, and usually not the most prominent, in their gen-eral political profile.

The parliament itself may be less single-minded, and therefore less single-minded, and therefore less effective in seeking a further increase in its own powers, than was its predecessor. But its views on that subject tend in any case to ba discounted by governments, which still wield most of the real power. More significant will be the French prime minister's need to look over his shoulder at Mr Philippe de Villiers, the Euro-sceptic leader whose supporters will have to be wooed by anyone hoping to be the standard-bearer of the right in next year's presidential election. And all 12 governments, in prepar-ing their positions for the 1996 Maastricht revision conference, will have to bear in mind the extreme difficulty of winning the Danish electorate's assent to new measures of European integration - though after the gruelling saga of Mass-tricht ratification, they should hardly need reminding of that. Public opinion within the EU is

clearly going to be an important factor in determining its future, and the Maastricht saga well illustrates the perils of neglecting it. But the task of European leaders in the next **Edward Mortimer**

More strategy, less small print

European Union leaders should concentrate on leading, not on following every shift in public opinion



few years is not to respond slavishly to every perceived shift in public opinion, but rather to use the institutions of the EU, and to adapt them where necessary, to deal with problems that call for a common European response. If they do this, and if they can show clearly that this is what they are doing, they should not find it too difficult to carry public opinion with them.

What are those problems? It is almost a knee-jerk response to say that the first and direst is unemployment. High unemployment is indeed something of a European distance of the control o ease, but it is not certain that the remedies for it are best adopted at the EU level. Most of the suggestions in the recent Organisation for Economic Co-operation and Development report on the subject are still within the competence of member states. Consensus on the precise policy mix will be hard to achieve, and there is a lot to be said for letting individual states experiment with different approaches, and learn

from each other's successes and failures, so long as these different approaches do not constitute non-tariff barriers to trade or to the free movement of capital and labour.

The contribution the EU can make to reducing memployment lies precisely in demolishing such barriers, and preventing new ones from being erected. Internally, it must preserve and improve the single market. Externally it must build on the success of the Uruguay Round, and above all encourage the growth of central and east Eurogrowth of central and east Euro-pean economies, where geography should give an edge to west Euro-pean exporters and investors over their global competitors. Expanding its market to include central and eastern Europe is clearly in the EU's economic interest, even if there are short-term costs such as accelerated ich losses in excelled accelerated job losses in so-called "sensitive" sectors, meaning those where the west European workforce is anyway shrinking rapidly.

As with employment, so with the

problem can best be dealt with at national or even sub-national level, others on the scale of the planet. But there is an obvious task for the EU in preserving natural resources which are used by residents of more than one member state, and in com-bating pollution which spills across state frontiers. That also implies planning tha transcontinental infrastructure, especially the transport networks, in ways which preserve rural tranquillity as far as possible. At present the EU is perceived by public opinion in many member states as eco-hostile, not least because of the incentives it gives to maximise agricultural productivity with intensive use of chemical fer-tilisers and pesticides, and with lit-tle concern either for the quality of the product or for the effect on the countryside. That can, and should,

environment. Some aspects of the

But probably the EU's most urgent task lies in the area of secu-rity. Conventional British wisdom

has it that security should be left to Nato, and that for the EU to meddle in it would risk weakening the all-important link with the US. That all-important link with the US. That wisdom is out of date. President Bill Clinton, during his D-day tour of Europe, positively egged on the creation of separate European defence structures. He promised that the US would "remain engaged" in Europe and honour its Nato commitments, but added: "We also want Europe to be strong. That is why America supports Europe's own steps so far toward greater unity – the European Union, the Western European Union and the development of a European defence identity." European defence identity."

There is an important subtext bere. Mr Clinton was elected to give priority to US domestic problems and economic interests, and if anything his determination to do that has been strengthened by the vicis-situdes of the last year. His "presi-dential decision" on multilateral peace operations, issued last month after a full year's gestation, sets tight limits on the operations the US will support and even tighter ones on those it will participate in.

n Europe, Mr Clinton claims to be committed to deploy ground troops in Bosnia, but only after a full peace agree-ment is reached, and if Congress agrees. Likewise he claims to be committed to expansion of Nato eastwards, but at some unspecified date in the future. For today there is only "security co-operation every-where in Europe". Unless Russia begins again to look seriously aggressive, that will not mean much more than joint military exer-

His message to Europe is very clear, and can be paraphrased thus:
If you are attacked, we are still
with you. But for the moment, thanks to our past efforts, you are not in danger and we have other fish to fry. For God's sake organise yourselves, bring central Europe within your fold while the going is good, and deal with the problems on your frontiers so that Europe does not again become a major worry for us. We will give you logistical and air support, but we will not expose our troops to casualties on the

That is the agenda Europe has to deal with in the next few years. To do so effectively will require a pooling of sovereignty in the very sensi-tive areas of defence and foreign policy - for which, according to today's wisdom, public opinion is not ready. Yet it is a task which should be much easier to explain to public opinion than the need to standardise electric sockets, or to spray fields with weedkiller to prevent anything growing in them. If the EU had been able to save Bosnia, its citizens would have a clearer idea of what it was for.

Dividends are only part of the story



Stephen Dorrell, financial secretary to the Treasury, to the Confederation of British Industry last month criticising

PERSONAL UK companies' divi-VIEW dend policy have certainly set the cat among pigeons. Perhaps the conclusion the chancellor will draw is that Treasury ministers would do well to remain decently veiled throughout tha year, not just at Budget time.

If so, that would be a pity,

because Mr Dorrell did ask some interesting questions, which deserve a serious response. Does the rise in dividend payouts matter? Has it affected companies' ability to invest profitably? Is the corporate tax and regulatory framswork still appropriate?

Business investment in the UK has indeed been too low. Fixed investment as a share of gross domestic product has been below the levels achieved by Britain's main competitors over the last 10 years. The UK average has been 17.5 per cent, compared with a Buropean

Union average of 19.7 per cent and an OECD average of 20.4 per cent. The main reason for companies unwillingness to invest - certainly

the one they give in response to our surveys - is that they are uncertain about future damand. Of course uncertainty is a fact of business life, but in the UK it appears to have been magnified by government policy errors. So the government's main response to the problems Mr Dorrell identifies should be to maintain a stable macroeconomic and financial environment.

The behaviour of long-term inter-

est rates in recent months suggests the market still lacks confidence in the authorities' ability to meet inflation targets in the upturn, perhaps because the government has only gone half way towards creating an independent and accountable Bank of England. Making an honest woman of Bank governor Mr Eddie George should be high on the Treasury's agenda.

But the amounts and types of finance available are also relevant, however stable the inflationary environment. Our research shows that, over the medium term, there

is a close link between the trends in business saving (retained profits) and investment. So it is reasonable to explore how retained profits might be increased. The best answer is increased profitability. UK companies' profitability has been lower than that of some competitors - the return on capital in the business sector in 1980-91 was.

Uncertainty is a fact of life, but it appears to have been magnified by government errors

at 9.7 per cent a year, 3 points or more below rates in the US, Japan, Germany or France.

Then there is the tax system. The Institute for Fiscal Studies has argued that the reform of the corporation tax system in the mid-1980s which reduced both capital allowances and corporation tax -although intended to be fiscally neutral, increased the user cost of capital. That points to the need for

either reduced rates of corporation tax, or increased capital allowances. Dividend payouts - which also, of course, reduce retained earnings -are very delicate territory, as Mr Dorrell has discovered. One false move could send actuarial deficits in pension schemes soaring, requiring increased company contributions, offsetting any cashflow bene-

fit from lower payouts.

The first point to note is that, while payout ratios have risen, so have amounts raised through rights issues and flotations. So - certainly for large companies - financial markets are performing as they should, requiring managements to justify calls for funds, and recycling money to companies which have attractive opportunities.

But smaller companies wonder whether the market knows enough about their investment opportunities to add value to their decisions, and argue that the costs of raising equity are too large. The govern-ment has already produced part of the answer to that problem with its Enterprise Investment Scheme and Venture Capital Trust proposal. Another constructive change

might be to allow the costs of equity raising against tax. And the Treasury might also focus on the operation of the capital taxation regime. The capital gains tax rate is too high; it discriminates against direct equity investment and hinders the effective operation of the equity market. Among the many possible reforms the chancellor might consider is to taper the rate on realised gains in line with the length of time the amount was held. Over time that would reward relationship investors and encourage tax-paying institutions to take a long-term view. It is an idea the Labour party favours, which ought

not to be allowed to rule it ont. Rates of dividend payout are only part of the story. Mr Dorrell would therefore do well to downplay this and begin instead to davelop a broader agenda of corporate tax

Howard Davies

The author is director-general of the Confederation of British Industry

OBSERVER

Political affairs

■ Denmark's most celebrated unmarried couple have at last tied the knot. Prime Minister Poul Nyrup Rasmussen, Social Democratic party leader, and Lone Dybkjaer, a leading light in the Radical Liberal party, have been living in unmarried bliss for the past two years. That raises not an eyebrow in tolerant Denmark, where more than a third of cohabiting couples are unmarried.

Rasmussen and Dybkjaer married in secret in May, in the midst of tough-fought European parliamentary elections. Dybkjaer triumphed in the vote; she achieved the second-highest personal score. with 159.552 votes, and won her party's first Strasbourg seat. mussen fared less well. His party's vote fell to a miserable 15.8 per cent, from 23.3 per cent in 1989 and 37.4 per cent in the last election to the Danish parliament itself. A former environment minister, Dybkjaer's connection with Rasmussen kept her out of the current Radical party/Social

Marathon hurdle

Democrat coalition government.

keeping Rasmussen out in future.

On present form, she might be

■ Winning the right to host the 2000 Olympics Games was obviously the easy bit for Sydney - getting someone to run the damn thing is the tricky part.

The Sydney Olympics Games Committee brought in two firms of headhunters to help choose the games' chief executive. But SOGOC is covered in embarrassment. Its (un-named) second-choice candidate has pulled out, just hours before the appointment was due to be announced. The first choice also withdrew, some time ago.

The sticking-point is - wouldn't you believe it? - money. This time round, the A\$400,000-a-year salary was quickly topped by the candidate's existing employer. Gary Pemberton, the Qantas boss who heads SOGOC, says everything now goes back to square one meaning, in all likelihood, another eight month delay.

Should be a close finish

Lucy the Underdog For the four new MPs who took their seats in the House of Commons, yesterday should have been their special day. But their

arrival in the chamber was upstaged by the entry of another newcomer - Lucy, David Blunkett's new guide dog. As Labour's health spokesman entered a packed chamber for prime minister's questions, the 21-month old Labrador slowly led her master

towards the government benches.

Pandemonium ensued as her master was hauled back across the floor

M.1.5.

'I was searching through people's homes while they were watching the Dimbleby lecture'

of the House by anxious colleagues. Said a Blunkett aide: "Lucy can only have assumed that our performance in the European

Talking of dogs, what do we make of Labour MP Ken Livingstone's support for the last weekend?

elections was so good that we had taken power." Party pooper

"Scoop that poop" campaign which he helped launch in Battersea Park The aim is to "persuade owners to clear up after Britain's 7.5m

dogs" and the sponsors. dog-food manufacturers James Wellbeloved & Co, wanted a tame MP to pose for the cameras, because fouling by dogs is an issue upon which MPs receive more mail than any

Another sign, perhaps, that the Labour leftwinger is not taking seriously his other campaign to collect colleagues' signatures for his candidacy in Labour's leadership race?

False alarm

■ When John Harris retired mexpectedly early from the chairmanship of East Midlands Electricity earlier this year, it had been thought that he could at least look forward to the chairmanship of the Coal Authority - which the government had indicated was his for the taking.

However, Harris's reputation. once among the highest in the industry, has taken a bit of hammering following revelations about the problems East Midlands has had with some of its post-privatisation acquisitions. Indeed, it seems that the government is now looking for someone else to head the organisation which will supervise the licensing of pits and their liabilities following coal privatisation in the winter As for Harris, he seems to be enjoying life away from the business fray. Apart from a bit of consultancy work overseas, he is

Who knows - the government may still decide he's the right man

Gloom speaks

■ John Major's renewed interest in seeing British MPs working "sensible hours" is not to the taste of some members of the House of Lords.

The peers have recently been burning the midnight oil on the bill to privatise British Coal. Nearly nine hours after making the initial speech from the Labour front bench on Monday, Lord Morris said be was glad the House did not meet at 9 o'clock in the morning. "I get better as the light gets darker," he confessed. Rather like mushrooms, really.

US bonding

The word from Wall Street is thet the Clinton administration has announced plans for a new, three-tranche US government bond

The first tranche is the "Gore" No interest. The second is the "Stephanopoulos" - No maturity. The third is the "Billary" - No principal. A rumoured fourth tranche, to be used only in emergencies, is the "Paula" - No

US prepares resolution for Security Council

Japan backs sanctions against North Korea

By William Dawkins in Tokyo and

Japan yesterday reassured the US that it would support possible United Nations sanctions against

Prime minister Tsutoma Hata told US president Bill Clinton that Japan would take "responsible action within the bounds of our constitution if the UN

adopted a sanctions resolution. In a 20-minute phone conversation with Mr Clinton, Mr Hata denied the minority Japanese government was reluctant to sup-port sanctions. The Social Democratic party, the second largest opposition group, has so far opposed sanctions, a reflection of its ideological support for Pyongyang and the cash it gets from

North Korean groups in Japan. Japan's gesture of solidarity came after Ms Madeleine day that it would withdraw from the International Atomic Energy Agency, the United Nations'

nuclear watchdog.
Official notice of the withdrawal was made yesterday by the North Korean ambassador to

The beightened tensions unsettled share prices in Tokyo and Seoul. The Nikkei average of 225 leading Japanese stocks fell 198.94 points, or 0.9 per cent, to 21,353.97. The South Korean com-posite index shed 19.52, or 2.1 per cent, to 903.72.

it was the sharpest one-day fall on the Seoul bourse since the nuclear dispute entered a new and critical phase at the end of May with Pyongyang's unsuper-vised removal of spent fuel rods from its nuclear reactor.

Mr Han Sung-joo, South Korea's foreign minister, yesterday expressed confidence that

much less than several weeks

South Korea's president, Kim Young-sam, said North Korea's announced withdrawal from the IAEA was taken "to avoid the disgrace of [Pyongyang] being kicked out of" the IAEA for its refusal to accept full international nuclear inspections.

Some government officials in Scoul believe Pyongyang may be using the threatened pull-out as a fresh negotiating tactic to force the US to hold direct talks on possible diplomatic normalisation and economic aid.

ann economic and.

Former US president Jimmy
Carter will travel to Pyongyang
today in an unofficial attempt to
maintain diplomatic dialogue. Mr Han indicated it would take several weeks to pass a UN sanc-

tions resolution as the western powers try to persuade China to support punitive actions. "Obviously, we do not know what the Chinese attitude will

be," he said, suggesting China would support sanctions if Pyongyang remains intransigent.

A spokesman for Vickers, the

tank's manufacturer, said the

Challenger-1 did perform well

when properly maintained, and it

The report warned against run-

ning down the UK defence sector

and said strategic factors should

be taken into account in procure-

ment. The government will make

announcements soon on plans to

buy frigates, minesweepers and

believe it would be unwise to rely

to provide surge capacity as they

have their own priorities." It said

some support roles, including the

overhaul of vehicles, could be

contracted out to private compa-

nies but some in-house capacity

A British Aerospace spokes-

man said UK companies' work at

the war front would be harder if

foreign systems were procured.

The committee said: "We

transport aircraft.

must be retained.

would soon be superseded.

Report attacks condition of UK battle tanks in Gulf war

By contrast, big manufacturing business, represented by the Keidanren, supports deregulation to cut costs in the hope that a more open market may bring a fall in the value of the yen, the strength of which is

Mr Hata, whose government may be even shorter lived, yesterday called on cabinet ministers to display "leadership" in pulling together by the end of this month a package of proposals to cut red tape.

of the recession is over for large companies came yesterday when Teikoku Databank reported a 33 per cent year-on-year decline by value in bankruptcies last month. However, the number of corporate collapses rose by 7.3 per cent over the same period, suggesting that small companies continue to suffer.

Many businesses are still faced with surplus capacity, with the government's economic planning agency yesterday reporting a 2.5 per cent decline in private sector chinery orders in April from

the same mouth last year. Machinery orders, a forward indicator of general industrial investment, fell more sharply month on month, by 14.2 per cent from March to April, more than wiping out a 10.3 per cent

Japanese **business** federation urges cuts in red tape

By William Dawkins in Tokyo

The Keidanren, Japan's most powerful business federation, yesterday stepped up its camnaign for more economic deregulation, amid the latest signs of a

corporate recovery.
Mr Sholchiro Toyoda, who became Keldanren's chairman at the start of this month, called on prime minister Tsutomn Hata to halve the number of business regulations in the next five years. He urged the government to "break the wall of vested

interests". There were 11,402 regulatory permits and approvals in force in March 1993, 460 more than the previous year, and the seventh year running of growth in the red tape mountain, according to the government's management and co-ordination agency. The Tokyo office of Baring Securities estimates the regulations cover industries representing 40 per cent of gross national product.

Highly publicised deregulation drives by successive administrations have failed because of ministries' reluctance to lose power and fear of competition, mainly among small companies in highly regulated sectors such as distribution.

hampering exports.

Mr Moribiro Hosokawa, the previous prime minister, staged a fresh deregulation drive on taking office last August, but only held power for eight months, not enough to make significant progress on his hit list of 94 regulations.

Fresh evidence that the worst

rise in the previous month.

Albright, US ambassador to the UN, said the US would submit a conflict was not about to erupt on the Korean peninsula. "Despite war talk, there is no readraft sanctions resolution to the son to worry about the outbreak UN Security Council in the next few days, in response to North of hostilities," he said. The door Korea's announcement on Monto negotiations remained open,

readiness of forces rushed to

Saudi Arabia following the

August 1990 invasion of Kuwait.

pared to face chemical and germ

warfare attacks, while more than

75 per cent of the army's Chal-

lenger tanks in Germany were

was not as ready to protect its

forces against chemical and bio-

logical attack as it might have

been," the report said. Some defi-

ciencies had been rectified when

but in future the forces might not

The committee deplored the

condition of the Challenger-1

tanks which were rushed to

Kuwait from Germany. It

described the tank's turret as

"barely adequate" and said: "We consider it scandalous that the

Challenger-1 tank fleet was in

have so long to prepare.

"We are disturbed that the UK

out of service.

The crisis found the UK ill-pre-

By Bruce Clark, Bernard Gray and James Blitz in London

was "scandalous" that three-quarters of the British army's main battle tanks in Germany were under repair when the Gulf war broke out, a parliamentary committee said

Britain should also think twice before buying foreign weapons because it cannot trust other countries to provide support in times of crisis, the House of Comreport on the lessons of the Gulf

The Ministry of Defence, which is preparing several big procurement decisions and a plan to make deep cuts in spending on support services promised to study the report carefully.

The committee commended UK industry for its emergency operation to upgrade the battle-

Sprint deal

Continued from Page 1

has still to be approved by the European Commission. The European operators will have seats on the Sprint board.

A complicated structure gives all partners equal votes on a global board, Joint ventures will be established to offer services in Europe, the US and the rest of the world, with a separate network to provide a global network for multinational customers.

Europe today

Five-day forecast

A surge of warm air from Spain will flow northwards and conditions will be warmer over France, Germany, and the Benefus. Cooler air

thunderstorms over Spain. France, the Benefux, and Germany. Northern Europe will have unsettled conditions, while the south-east will

will flow from the Atlantic, bringing

A westerly stream of air will cover northern Europe, while southern and south-wester Europe will be affected by high pressure. Finland will have rain. Sweden will be sheltered from the rain by the Norweglan mountains, bringing sunshine and occasional showers France and Soain will be warmer, with tropical conditions over the interior of Spain. Southeastern Europe will have unsettled conditions Greece, western parts of Turkey, and the Balkan states will have thunder storms. Poland, Germany, and the Alps will have clear spells

such a poor state."

Lawyers for the defendants said yesterday that they were considering appealing. The sentencing follows charges brought against 14 BCCI executives by the Abu Dhabi authorities in July last year, and a trial by the state'a public prosecutor which began in

said: "It is a landmark in the

BCCI managers sentenced

Continued from Page 1

BCCI's majority ahareholder,

October.

FT WEATHER GUIDE

The government of Abu Dhabi,

BCCI affair that these key individuals have been brought to justice." It said it would continue to help world authorities convict

wrongdoers' Among the other sentences handed out, three senior executives of the bank currently in detention in Abu Dhabi were given six years each

A further six staff in detention in Abu Dhabi received three years each. Mr Iqbal Rizvi was aconitted on all charges.

THE LEX COLUMN

Sprint for the line

It is becoming something of a tradition It is becoming something of a tradition for European telecom operators to pay fancy prices for minority stakes in their US counterparts. BT started the trend with its \$4.3bn investment in MCI last year. Deutsche Telekom and France Telecom are following suit with their Est the investment in Section 1. with their \$4.2bn investment in Sprint. It is a mark of the relative dynamism of US operators that European groups have to bribe them to become partners

in global alliances. As well as negotiating a good price. Sprint has been able to clinch a central role in the new alliance. It will own half the alliance's global network. despite being smaller than either partner. Sprint will also have total responsibility for marketing the partnership's services within the US, a third share in European markets outside France and Germany, and a half share

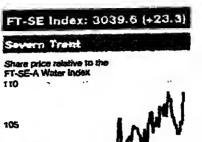
in the rest of the world. Whether this will be sufficient to win over US regulatory authorities is unclear. The argument that foreign state-owned monopolies should not be allowed to compete in the US could strike chords with the Clinton administration. Approval may be contingent on the French and Germans opening

their own markets to competition. Rival groups are unlikely to wait for regulatory decisions before planning their responses. AT&T may well formalise its association with Unisource, an alliance of Swiss, Dutch and Swedish operators. BT will redouble efforts to woo Japan's NTT as well as seeking to build up its position in continental Europe, That leaves Cable & Wireless looking like the odd man out. It has opted to provide global services through its existing "federation" of operators. But what it possesses in geographic reach, it lacks in financial

Enterprise/Lasmo

On the face of it, yesterday's fall in Lasmo's share price suggests that Enterprise's improved bid is expected to fail. If it were thought likely to succeed, Lasmo's share price would not stand at a 10 per cent discount to the value of the all-paper offer. Arbitrage would close the gap, either by pushing up Lasmo's share price or by driving down Enterprise's.

But it is still early days and it would be a mistake to write off Enterprise's chances entirely. Lasmo shareholders will have to think hard before dismissing the offer. On the positive side, the new terms amount to offering Lasmo investors a 44.5 per cent share of the



combined group. That compares with the 40 per cent offered in the original bid. Though independent analysts have different views about the relative asset values of the two companies, 44.5 per cent is at the top of the range.

Enterprise will have its work cut out to persuade investors of the bid's merits. Lasmo shareholders will need good reasons why they should surrender paper in a company which is recovering from years of poor management and is highly geared to move-ments in crude prices. Moreover, overhanging the whole bid is Enterprise's inability to demonstrate any added value from putting the two companies together. That means either Lasmo's shareholders or Enterprise's look like suffering if the bid succeeds, and per-

Unigate

The 6 per cent jump in Unicate's shares after yesterday's full-year results suggests the 7.5 per cent increase in the dividend came as a pleasant surprise. Dividend growth is accelerating after three years of flat payouts at the start of the decade. That might signal success for the restructuring undertaken by Mr Ross Buckland, the chief executive, at what had become an unfocused congiomerate. Look deeper, though, and doubts about long term growth remain. More-over Unigate is hardly a cash cow. Free cash flow before acquisitions was not quite enough to cover the divi-

Admittedly, this reflects an abnormaily high interest payment and a healthy increase in capital expenditure. It also underlines that Mr Buck-

land's success partly reflects his knack of selling peripheral businesses on high multiples, buying dairies on low multiples and rationalising them at some cost to increase throughput at existing plant. As long as margin pressure on dairy products contin and there is no guarantee that loom ing changes to the milk marketing regime will bring relief - this is a sensible strategy. But it requires scope

pechiney : hiers

fall on warming

for shuffling group assets.

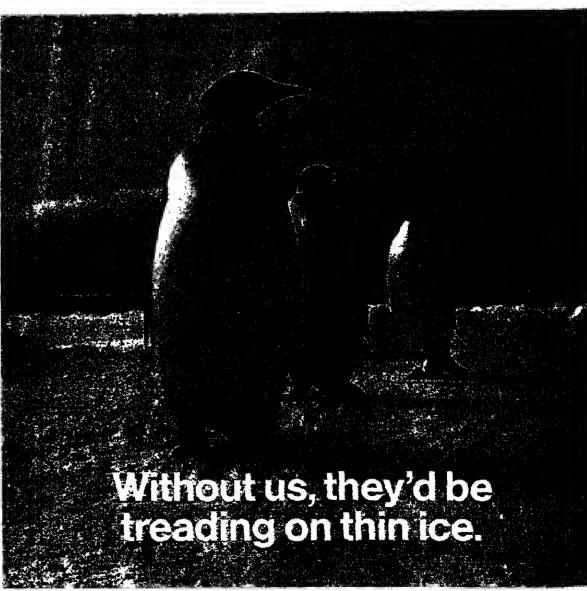
Happily, Unigate still has a trump
card in its stake in Nutricia of Holland which is worth around £200m but contributes less than £4m in dividends to group cash flow. Were the stake sold and the proceeds remvested, both cash flow and carnings would be enhanced. That would secure a further dividend progression, but it would be a poor substitute for a real improvement in dairy market conditions.

Severn Trent

For all its adventures in waste managrement, Severn Trent has outperformed the sector due to its attrac-tions as a utility. The water business was endowed with cash at privatisation and has been well managed since then. Capital expenditure was skewed towards the early years, which allowed the company to benefit from low construction costs during recession. Investment spending last year was \$25m less than budgeted as a result. Despite losing business from British Coal, the impact of recession on turnover has been generally less severe than in regions such as Anctian.

Sucb considerations have outweighed the drag from Biffs, the waste business bought for £212m three years ago. The quality of Biffs has rarely been questioned, even if the price Sev orn Trent paid for it has. As Biffe's operating performance improves, the drag on earnings should lessen. Still it will be some years before the waste side is covering the financing costs of the acquisition. A £4.7m loss on international business hardly instills confidence in other non-utility activities. But the merits of Severn Trent's A. S. .

water business show no sign of diminishing. Capital spending through the second half of the decade should be low relative to cash flow, so the company should end up less heavily geared than many of its peers. High dividend cover also points to flexibil ity on the pay-out. If Severn Trent can avoid embarrassments elsewhere, the utility looks well positioned to shine.



The world's first 'green' refrigerator, manufactured in Germany by Foron, is a major breakthrough in environmental protection. But without Bundy, a great new idea would still be on ice.

The refrigerant used by Foron is an iso-butane/pentane mix and - unlike other CFC replacements - is neither an ozonedepleter nor a greenhouse gas. Working alongside Foron, Bundy produced a single wall tube condenser which met the critical demands of the new refrigerant and incorporated further environmental benefits - optimal thermal efficiency leading to reduced energy consumption. Now Bundy is helping other leading manufacturers keep Earth's deep freeze from de-frosting.

Bundy is one of TI Group's three specialised engineering businesses, the others being John Crane and Dowty. Each one is a technological and market leader in its field. Together, their specialist skills enable TI Group to get the critical answers right for its customers. Worldwide.



WORLD LEADERSHIP IN SPECIALISED ENGINEERING the TI Group, contact the Department of Public Affairs, TI Group plc, Lambourn Court, Abingdon, Oxon OX1+ 1UH, England



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FINANCIAL TIMES

COMPANIES & MARKETS

Wednesday June 15 1994 OTHE FINANCIAL TIMES LIMITED 1994

International Property & Plant Consultants 071-405 8411

IN BRIEF

Pechiney shares fall on warning

Shares in Pechiney International, the packaging arm of Pechiney, the French state-owned alumin ium group, fell sharply following a warning that first half profits would fall. However, Mr Jean Gandois, chairman, expected an improvement in the second half. Page 16

De Benedetti relaunches Cofir Mr Carlo De Benedetti, the Italian financier, has relaunched Cofir, the Madrid-based holding company controlled by his Cerus group in France. Page 16

Japanese banks yet to scale had debts
Last month, Japan's banks unveiled their annual
results boasting that the worst of the country's bad debt crisis had passed. But, on closer inspec tion, the bad debt mountain is a long way from being scaled. Page 19

France-German pact to serve the world France Telecom and Deutsche Telekom are spending \$4.2bn on a stake in Sprint and mapping out a structure promising that the new alliance would serve the world. Page 20

Showdown in Chleago Chicago's two hig futures exchanges and their primary regulator, the Commodity Futures Trading Commission, are headed for a showdown over how strictly customer protection rules should

ACT restructure takes toll Shares in ACT Group, the UK computing services company, fell almost 20 per cent after the group warned that trading this year would be adversely affected by restructuring of its financial products

division and increased product development expen-

diture. Page 22 Charter may invest in fourth leg Charter, the diversified UK industrial group, could spend between £200m and £400m on building up a fourth leg for the company, according to Mr Jeffrey Herbert, chief executive. A number of proposals are under consideration.

Volex rises on acquisitions
Overseas acquisitions and organic growth helped
full-year pre-tax profits at Volex Group, the restruc-

tured UK electrical interconnection products and cable assemblies company, rise 40 per cent.

Delays hit Severn Trent Severn Trent, the UK water company, announced a 4 per cent rise in annual pre-tex profits to £281.4m (\$428m). The results were at the lower end of expectations, after delays on international contracts. Page 24; Lex. Page 14

Benfield to launch reinsurance arm Benfield Group, one of the UK's most successful reinsurance brokers, will today amounce the launch of Benfield Re, a £50m (\$76m) London market reinsurance company. Page 24

Vegétable growth The past 10 years have shown a huge growth in the export of vegetables from Latin America to the US. Page 26

22 GEC-Alexhor

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Market Statistics



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USAir seeks \$500m in cuts from workers

By Patrick Harverson In New York

USAir, tha loss-making US carrier in which British Airways holds a 24.6 per cent stake, is seeking pay and benefit cost cuts of \$500m from employees to help reduce annual operating expenses by \$1bn.
Outlining details of USAir'a

cost-cutting programme at a Merrill Lynch transportation conference in New York, Mr Seth Schofield, USAir's chairman and chief executiva, said tha carrier had already introduced measures to reduce costs by \$175m this year. These included job cuts, subcontracting freight and mall handling, and improved inventory management. He said USAir would not attain its goal of cutting annual costs by \$1bn unless pay and benefits were lowered to levels more consistent with market standards".

Talks with the unions were under way. Mr Schofield said that when agreement on a costreduction plan was obtained from at least one of the three primary unions, the carrier would immediately implement the measures with both its members and all

By Richard Waters

ture company.

Metropolitan Life and Travelers are combining their health insur-ance businesses in a joint ven-

It is a further sign of the con-

managed healthcare organica-

Travelers, which has the

ess of the two, agreed to pass to

smaller health insurance husi-

MetLife disability, dental care

and other insurance businesses

with annual premiums of more

than \$950m in return for a half

share in the new company. It is also selling MetLife its

group lifa insurance business for

By growing in size, healthcare

groups hope to reduce unit costs

and force bigger discounts from

healthcare providers, such as hospitals and drugs companies.

non-union employees.

He was confident the savings would win the support of the whole workforce.

The airline is desperate to reduce costs - among the highest in the industry - because the fares war among US carriers has prevented it from turning round its finances. In the first quarter of this year, USAir lost \$196.7m.

The airline also wants to cut costs through fleet rationalisation, more productive flight crew and aircraft scheduling, the centralisation of cargo management and purchasing, distribution sys-tem refinements and by contracting out catering.

This menth, labour unions amounced plans to seek a federal injunction to stop USAir's plans to contract out its freight and mail handling operations. USAir shares rose \$1/4 to \$6% in early trading in New York.

 Delta Air Lines, which is also seeking to slash annual costs, announced yesterday the suspension of four transatiantic routes - New York-Oslo, New York-Stockholm, Miami-London and Cincinnati-Munich - and the removal of all 13 Airbus A-130

MetLife and Travelers

to combine health sides

taken by Mr Sanford Welli,

wbose Primerica financial ser-

vices group took over Travelers at the end of last year, to sort

out some parts of Travelers'

underperforming insurance

dicted mergers in the insurance

industry as companies sought

The two insurers said their

However, only 391,000 of these

are in the two companies' health

maintenance organisations

(HMOs), under which individuals

are serviced by a prescribed net-

work of doctors and hospitals.

new company, which had yet to be named, would provide health insurance to 13m people.

greater efficiency.



Coca-Cola Share price (5) PensiCo

Cott challenges the big boys

The soft drinks market is among the bloodiest battlefields in the global war between national and retailer-controlled brands. Cott Corporation, an upstart Canadian company, is giving Coca-Cola and Pepsi - long considered two of the most impregna-ble brands - their stiffest competition in many

Cott has signed supply agreements with 90 retail chains around the world, including Wal-Mart, the higgest US retailer, and the UK's J. Sainsbury. It

recently began shipments to Japan's second biggest retailer. But nowhere has Cott made bigger inroads or provoked a more aggressive response from Coke and Pepsi than in its home market of Ontario. Coke closed half its Canadian bottling plants in a drive to match Cott's costs.

Cott's chairman, Mr Gerald Pencer, is an entrepreneur whose last venture - a Canadian trust and loan company - ended in failure. Background, Page 18

Mondadori sale may raise L990bn

also become popular among the Mr Silvio Berlusconi, the Italian US companies which pay for their employees' bealth insurprime minister and media mag-nate, should raise L990bn (\$611m) through the sale of a 53 per cent stake in Mondadori, the company ance. Bnying coverage for the average person in an HMO cost \$3,520 last year, compared with \$4,370 for traditional health which groups all his book and magazine publishing interests.

The price of the internation In addition to the HMOs, Metoffering of 66m new Mondadori Life and Travelers cover a furshares was yesterday set at Lis,000 a share, at the top of the ther 4.4m people under other. range established by Mr Berluslooser managed care arrange ments, including PPOs (preferred coni's banking advisers - Mediobanca and Banca Commerciale

Italiana – in April. Mr Franco Tato, managing director of Mr Berlusconi's Fininvest husiness empire and of Mondadori, returned from an international roadshow last week bullish about the prospects for

the sale, which begins tomorrow. Mr Berlusconi is under pressure to sell parts of his empire to cut debts at Fininvest and reduce the risk of a conflict of interest

between his political and entrepreneurial ambitions.

Observers are also eager to see if the decision of Mediobanca in work with Fininvest for the first time on this deal marks the beginning of a powerful alliance between Mr Berlusconi and Mr Enrico Cuccia, the merchant hank's 86-year-old honorary chairman. Less than 2 per cent of Monda

dori - the full name of which is Arnoldo Mondadori Editore - is quoted on the Milan stock exchange. But ahead of the offering, Mondadori merged with Sil-vio Berlusconi Editore, the private company which held many of the prime minister's publishing interests, to create one of the largest publishing companies in Europe.

The combined group, in which Mr Berlusconi will have a 47 per cent stake, would have shown a net operating profit of L100bn last year, on sales of L1,830bn.

Enterprise raises stakes in Lasmo bid

By Paggy Hollinger in London

Enterprise Oil yesterday raised the stakes in its bostile bid for rival explorer Lasmo with a final all-share offer valuing the target

at £1.59bn (\$2.38bn). It was clear from the revised terms and lack of a cash element that Enterprise had been under pressure from its sharebolders not to push its terms too far.

Enterprise is seeking to win over Lasmo's hesitant shareholders by doubling the promised dividend, allowing them a greater share of the enlarged company and offering earlier conversion dates for the A shares and warrants which make up the unnsnally structured equity

Based on an Enterprise share price of 399p, Lasmo shares were valued at 165p, against last night's close of 143½p – the day's 4p fall indicated scepticism about prospects of the bid's suc-cess. After a 9p drop in Enterprise's shares, the offer was worth about 161p. Mr Graham Hearne, Enter-

prise's chief executive, said the revised offer represented fair value for shareholders in both companies. "We haven't used buckets of cash, we haven't underwritten the shares, we are confident this will win it."

Lasmo's sharebolders were less enthusiastic, given the absence of cash and Enterprise's decision to retain the unusual structure. Enterprise's institutional investors are also believed to be unenthusiastic. They fear significant earnings dilution and short-term

effects on the share price.

Mr Rndolf Agnew, Lasmo's chairman, said the revised bid remained unwelcome. "The share of the combined company is totally inadequate and it continnes to be in junk paper," he

Enterprise is offering 36 A 88 of Lasmo's, valuing the target's shares at 165p on an Enterprise price of 399p. This com-pares with 27 A shares and 12 warrants for every 80 Lasmo in the original offer. Lasmo investors would hold 44.5 per cent of the enlarged company, against

40 per cent. The A shares would carry dividends of 6p in 1994 and 1995, against 3p in the three years to 1996. This equals 2p per Lasmo share, against the target's promised minimum of lp. The warrants' strike price has been improved to 430p against 470p. Lex, Page 14

All US insurers are attempting to move people from their traditional fee-for-service plans into HMOs, which have become a more profitable way of providing

Barry Riley

German monetary drag on bond markets' anchor



far as the European capital mar-kets are concerned to be that international investors are voting with their feet. German honds, the

bedrock of the European securities structure, have had a terrible year, with the 10-year government bond yield now up to 7 per cent, from 5% per cent at the beginning of January. Other bond markets may have performed more badly, but in less than six months hunds have lost all the gains of the previous 12. Unlike their US and Japanese counterparts, the European

equity markets have not been able to brush aside the weakness in bonds, so that in local currency the Europe index is down 6 per cent against only about 1 per cent for Wall Street and the rogue 17 per cent gain in Japan. The indices in France, Germany and the UK are all down by between 7 and 10 per cent.

European currencies have held their own against a weak dollar which still offers a lower short-term interest rate, but they have slipped by around 3 per cent this year against the yen. A basic factor behind all this is

the loss of monetary control by the German Bundesbank, Only last week the world's top central bankers were in London celebrating the rare peak of their power and influence, but markets often cynically sell into signs of hubris. Sturdily independent the Buba may be, but it is floundering in a sea of M3 bank deposits, up an annualised 15 per cent so far this year compared with a target growth range of 4 to 6 per cent. Since the beginning of 1992, German M3 has risen by 24 per cent, twice as fast as if the central targets had been hit.

At least the surprisingly strong performance by the Christian Democratic Union in the European parliamentary elections, with positive implications for Mr Helmnt Kohl's chances in the domestic poll next October, may soothe fears that the Bundesbank will continue to bend over backwards to halp the government. All the same, the Bundesbank's apparent willingness to take

The Buba is floundering in a sea of M3 bank deposits

inflationary risks through surprisingly aggressive rate-cutting. and measures to support the dollar, has upset the bond markets. It may all, of course, turn out to be an unimportant technical tangle, a shift in velocity best left to academic monetarists. The expansion of the D-Mark area into east Germany and (unofficially) beyond may have invalidated past trend lines, and fur-thermore the speculative bubble in global bonds last year priced bunds out of the reach of domestic investors. Foreign investors and banks bought the German bond issue in 1993, with domestic non-bank investors notable for their absence.

At the end of last year the

wbolesale money market rate on

savings in deposits which are included in M3. This year's drastic measures to turn the yield curve around should cause those savings to shift longer, once investors have lost their fear of further price falls in bonds, even now, however, bond yields are short of their long-run average of some 7.5 per cent. Meanwhile the gamble is that lower short-term rates will not set off a renewed growth in credit - at a time when the German economy is starting to pull quite decisively out of The Bundesbank Central Coun-

provider organisations).

The joint venture comes at a

United Healthcare, which has

time when other managed care

organisations are growing fast.

increased from 2.1m HMO

patients at the start of the year

to 3m now, said it planned to use

the \$2.3bn cash from its sale of a

drugs distribution company to

SmithKline Beecham last month

to expand further through acqui-

three-month D-Marks was 30 basis points higher than on 10-

year bonds. Hence the pile-up of

sition.

cil will meet for a mid-year monetary target review on July 21. Hardliners are bound to fear that the protracted period of doubledigit monetary expansion is inevitably going to lead to currency weakness and, within two or three years, to rising inflation. In the immediate future, however, German inflation may be about to dip below 3 per cent.

For global investors it must be

worrying that the European Union should be in danger of losing its financial anchor at a time when the weekend poll showed signs of political fragmentation in France, not to mention continued waywardness in the UK.

The recession and falling interest rates last year covered up the financial pressures in Europe but economic recovery will prove testing. Already the bond markets have seen significant divergence, with spreads against bunds widening for UK and Spanish government bonds, for instance. But the uncertainty has spread right to the heart of the European capital markets.

Business Booster



in Sweden, Italia operates the world's most successful mobil-telephony service, both in terms of geographical coverage, reliability and user penetration. And multinational services were introduced way back in 1961! Today, we are putting this vast experience lists good use in a range of major joint-ventures. From Russia to Italy. From eastern and central Europe to Ecuador. From NMT to CSM and AMPS.

We before a lest reconstruct the total of a position of the contral contractions are contracted to the contract co Europe to Ecuador. From NMT to CSM and Antro-We bring a lot more than technical excellence into these partnerships; born and bred in the world's most open rele-com marketplace (including three competing CSM opera-toria), we have learned quite a few things about customer and business orientation, as well as efficient administration

So, what about regular telephony? In the UK, Tella was one of the first foreign-owned companies licensed to provide international traffic. And in Estonia, as part-owners of the ational public network, we are actively involved in a major

dernization programme. Together with PTT Telecom Netherlands and Swiss Alogeuser water 11 i general Netherlands and Swiss

Alogeuser TT. Telta has created Unisounce to provide seamless global services for data communications and message
handling. Unisource is also a leading European operator of
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Wherever you are, and whatever you do, Telia is then o boost your business, any way we can



Pechiney division hit by chairman's profits warning

Shares in Pechiney Inter-national, the packaging arm of Pechiney, the French stateowned aluminium group, fell sharpty yesterday following a warning by Mr Jean Gandois. chairman, of a fall in first-half

The shares lost 5.6 per cent to close at FFr152.2 following Mr Gandois's statement to the company's shareholders' meeting. However, he added that he expected an improvement in the second half of the year, compared with the first six

According to Mr Gandols, first-balf profits will be hit by increased financial charges, partly reflecting higher US interest rates, and the cost of recent investments and acqui-sitions. The result, be said, four other groups.

Law Courts Correspondent

By Christopher Brown-Humes in Stockholm

The Swedish government said

yesterday its public offer of a

23 per cent voting stake in

Pharmacia, one of the world's

top 20 pharmaceuticals groups,

had been heavily oversub-

It suggests the government

will increase the size of the

By John Mason,

would be a reduction in net profits compared with the FFr439m (\$77m), after amortisation, recorded in the first six months of 1993.

Mr Gandois said the company was considering a convertible bond issue, although the size and the timing had not been decided. The company said recovery in the Paris stock market would be necessary before a launch.

Mr Gandois said sales in the packaging division had shown a relatively strong improvement since the beginning of the year, but prices had remained uncertain.

The company is considering measures to respond to the problems in the US beverage cans market, which is dominated by Pechiney's American National Can subsidiary and

allowing the trustees to be

per cent of the votes. However.

it will wait until Friday, after

the offer to Swedish and inter-

national institutions has

closed, before setting share

allocation and price. The gov-

ernment's aim is to sell as

many as 82.2m shares in the

group, raising some SKr10bn in

Spear battle re-opened

released from an irrevocable The battle for control of undertaking to sell a controlling interest to Hashro. The court's decision now J.W. Spear, the board game manufacturer which makes Scrabble, was thrown open again yesterday when a High Court judge released the comleaves the Spear trustees who own 24.9 per cent of the company - free to accept the pany's trustees from any obli-Mattel bid or any higher one. Hasbro was last night consid-

gation to sell their shares to Hasbro, the US toy group. ering its options: whether to mount an appeal against the The judge ruled that Mattel, a rival US toy company, had judge's ruling, out-bid Mattel or walk away. The company is acted properly in announcing an improved offer five minutes certain to reach its decision before the deadline for the

Pharmacia in demand

Fugitive Nissan UK chief was paid £3.81m

By Kevin Done, Motor industry Correspondent

Mr Octav Botnar, the chairman of Nissan UK for whom an arrest warrant has been outstanding for the past 21/2 years, was paid £3.81m (\$5.71m) last year.

The emcluments - representing a 2,831 per cent rise from his previous year's pay of £130,000 - were for his role as chairman of Antomotive Financial Group Holdings, which owns AFG, one of the UK's biggest motor dealers.

Of the total remuneration, £3.7m is described as a bonus paid by AFG. The figures appear in the latest annual report filed by AFGH, the holding company, for the year to July 1993. During the year AFGH's pre-tax profits fell by 73 per cent to £11m, from £40.5m. Turnover was down 23 per cent at £419.9m.

An arrest warrant was issued in January 1992 for Mr Botnar, 80, who is alleged to have been the principal conspirator in the largest corporation tax fraud in UK history. The Inland Revenue was cheated of £55m (\$83.3m) by Nissan UK, the Botnar subsidiary which had imported and distributed Nissan cars until

Nissan took over the role. In the most recent information filed at Companies House. Mr Botnar's "usual residential address" is listed as Columbia Drive, Worthing, West Sussex. the headquarters of AFGH. He has failed to return to the UK for 21/2 years, preferring to live in Switzerland in a villa near

During his absence, two of his former colleagues bave been jailed for their part in the fraud. Mr Michael Hunt, former Nissan UK managing director, was sentenced last summer to eight years and last month lost an appeal against conviction and sentence. Since he went to prison, Mr Hunt has become eligible to receive £1.06m as his latest dividend payment on his 10.6 per cent stake in AFGH.

weden's largest ever privati-The Inland Revenue is seek-This would cut the state's ing repayment of up to £238m AFG's results, Page 24 from 40m shares, equal to 27.5 from 57.5 per cent.

De Benedetti back on takeover trail

Mr Carlo De Benedetti, the Italian financier, bas relaunched Cofir, the Madridbased holding company controlled by his Cerus group in France, on the Iberian take-

Cofir has acquisitions, secured and in the pipeline, amounting to about Pta9.5bn

Mr De Benedetti told Cofir's annual meeting yesterday that it had last Friday acquired the majority bolding in Spain's leading city botel group for

Mr De Benedetti said it was close to spending Pta3bn to buy a supermarket chain and

it planned to expand its wine division to become to the biggest producer of Rioja table

Twenty UK and US institutions control 25 per cent of the holding company's share capital. Cerus owns 45 per cent of Coffr's equity and the rest is traded on the Madrid stock market

Mr De Benedetti said institutional backing for Cofir gave him "great satisfaction". He defended the caotious investment policy of the past years that had allowed Cofir to build up a liquidity of more than

The decision to restart buying comes as fixed income investment becomes less

attractive due to falling interest rates and as cheaper properties come on to the mar-

The first move has been to increase a 49 per cent stake held by Cour in NH Hoteles, a group that owns and manages 60 hotels in Spain, to 70 per cent as a prior move to listing the botel chain within the next

"It's good news to see Cofir at last buying growth potential assets again to take them to the market," sald Mr Carlos Pertejo of AB Asesores, a Madrid securities firm.

Mr De Benedetti's group is close to completing the purchase of a 100-unit familyowned supermarket chain

called Dagesa which is based in Catalonia and in Aragon, two of Spain's fastest growing regions.

The retading business represents a new division for Cofir and this acquisition is likely to be followed up by further ones in the sector. Cofir is assessing properties

in the wine business where it controls Berberena, the secondranked Riojn producer, with the stated aim of becoming Spain's leading table wine

The group's real estate division has in the meantime been lifted by the announcement that the 1997 Ryder cup will be played on the Valderrama golf



Carlo De Benedetti: satisfied with institutional backing

This is one of three located in its extensive holiday home and leisure complex of Soto

Sales at Fiat unit improve 13%

By Andrew Hill in Milan

Net sales at Magneti Marelli, the Italian automotive components group which is con-trolled by Fiat, rose 13 per cent in the first five months of this year, compared with the same period of 1993.

Mr Luigi Francione, Magneti Marelli's chairman, told sharebolders at their annual meeting yesterday that turnover bad increased to L1,473bn (\$910m) between January and the end of May, in spite of the gloomy outlook for

Shareholders of Finmeccanica,

the Italian state-controlled

engineering and defence group.

yesterday approved a L1.700bn

(\$1.05bn) rights issue, which

will reduce the stake owned by

Iri, the state holding company,

to less than 60 per cent from 85

Iri is to pay nearly L500bn

for its new shares and a fur-

ther L1,000bn should be sub-

scribed by the credilor banks

of Efim, the now defunct state

holding company which is

transferring its defence inter-

The banks said their under-

I tional on the completion of the issue price of 1.2.100.

ests to Finmeccanica.

By Andrew Hill

Finmeccanica rights

issue gets green light

European car production. In 1993, net revenues rose 1.9 per cent to 1.2,935bn, and the group returned a net consolidated loss of L157.4bn after financial and restructur-

ing charges. However, Magneti Marelli said that it had experienced "notable increases" in sales of fuel systems, engine control and temperature control units this year. "The growth in sales volume

and the implementation of rationalisation, foreseen and undertaken in 1993, has

transfer of the seven Efim com-

nanies, which include Agusta,

the belicopter manufacturer.

Finmeccanica said yesterday

that the exercise of its option

to buy the companies was "a formality" and should take

The deal was agreed by the

government three months ago, and means that Finmeccanica

will not have to assume the

Efim companies' L7,000bn of

debts. Although the issue is a

form of privatisation, the plan

prevents the government los-

ing control of strategic defence

Finmeccanica's shares fell

L34 to close at L1,942 in Milan

yesterday, compared with the

place on June 20.

manufactorers.

allowed [the company] to realise a positive operating result and to break even before

taxes," the group said. Yesterday's meeting granted the Magneti Marelli board a five-year authority to increase capital by a maximum nominal value of L1,000bn and to issue bonds for the same amount.

About 42 per cent of Magneti Marelli is owned directly by Fiat, and a further 21.5 per cent by other group companies. in terms of sales it is the fourth largest company in the Fiat stable.

Strong advance at Norwegian shipowner

By Karen Fossii in Osio

Wilhelmsen Wilhelmsen, one of Norway's largest shipping groups, lifted pre-tax profits three-fold in the first four months of the year to NKr321m (\$44.5m) from NKr110m in the same period last year.

It was helped by a NKr180m gain from the disposal of a drilling rig. The shipowner said there was uncertainly over the remainder of the year.

Group freight revenue was unchanged at NKr1,2bn but operating profit, before depreciation, fell NKr26m to

Pre-tax profit, after minority interests, rose sharply to NKr2Sim from NKr83m.

Bid for east German rolling-stock group

By Christopher Parkes in Frankfurt

The Royal Begemann group of the Netherlands emerged yesterday as the leading con-tender to take control of Deut-sche Waggonbau, the east German rolling-stock maker owned by the Treuhand privatisation agency.

The company said it had reached agreement on the out-lines of a deal under which it would take over 74.9 per cent of DW stock, while the balance would remain with the Treuhand for the time being.

unawares by the Begemann mer Comecon area's railway

thining details of points subject to further negotiation, would not hinder continuing discussions with other potential investors.

However, the Dutch group's statement appeared designed to deter any other would-be investors. Begemann and the Treuhand intended to develop the beads of agreement into a

legally-binding deal, it said. A deal, which the bidde expects to be completed this year, would mark the end of a long period of uncertainty for and for the time being. . the barely profitable DW, The Treuhand, taken which supplied most of the for announcement, stressed that a greats wagons and carriages.

Karstadt edges ahead

By Michael Lindemann in Bonn

Karstadt, Germany's biggest retailer following the recent purchase of Hertie, yesterday reported slightly improved annual earnings of DM226.8m (\$137.4m), up from DM224.1m

in 1993 Group turnover in the first five months of this year swared by 31.7 per cent compared with the previous year, to DM11bn, helped by strong demand for tourist services.

Turnover in 1983 rose to DM13.3bn, up from DM12.2bn the year before. The dividend

is increased by DM1 to DM13. However, Mr Walter Deuss. chlef executive, underlined warnings given by competitors that the retail market was still in a "recession" despite fore cast economic growth. "Given the only slight change in the number of unemployed there is no sign of a fundamental improvement in the consumer climate." Mr Deuss said.

The company spent about DMI.6bn earlier this year to buy Hertle, Germany's thur biggest retailer, but said it would take about five years to



1. The Republic of Turkey, Prime Ministry Privatization Administration (PA) offers for sale the shates of HAVA5-Havaalanlart Yer Hizmetleri A.\$. (Airports Ground Handling Co.) of which 51% is owned by PA and 49% is owned by Turkish Airlines. Total capital of the Company is 20 billion TL. Potential investors can bid for a certain amount of the shares which will enable then to obtain the management right.

2. PA is planning to make a public offering of the remajoing shares and list these shares on the Islambul Stock Exchange. The amount of the

shares which is going to be offered to the public will be decided during the negotiations with the tovestors. 3. The tender will be realized by obtaining the bids and performing negotiations with the bidders.

4. Investors are required to submit an irrevocable unconditional bid bond payable on first demand with a maturity period of at least 6 months. amounting to TL 5,000,000,000 to Republic of Turkey Prime Ministry Privatization Administration's Office (Huseyin Rahmi Gurpinar Sokak, No: 2, Cankaya, 06680, ANKARA-TURKEY) no later than June 27, 1994 Monday by 6.00 PM Turkish mean time.

5. The tender offer, together with the accept obtained upon submission of the bid bond to PA, shall be made in a sealed envelope on which the

name of the company and the sign of "CONFIDENTIAL" should be indicated. 6. The following documents toust be attached to the tender offer to the event.

a) the bidder is a real person, the certificate of specimen signature.

b) the bidding is made by a proxy, the power of amorney particulary authorizing to bid in this tender on behalf of the hidder together with this

c) the bidder is a legal person, a certificate of power proving that the persons acting on behalf of the legal person have the authority to represent and obligate the legal person together with specimen signature.

and on relating to the sale of the above company can be obtained from the PA for a fee of TL 10.000.000.

8. The PA is not subject to the State Tender Law No: 2886 and reserves the right to decide whether or not to privatize and to extend the deadline

Note: The sale of the shares to real persons and the legal entities domiciled abroad is subject to the existing law and regulations of foreign capital,

9. Other significant matters relating to the sale of the above Company will be notified to the investors during negotiations meetings.

copies of which are obtainable from the Undersecretarias of Treasury and Foreign Trease, General Directorate of Foreign Investment.

REPUBLIC OF TURKEY PRIME MINISTRY— PRIVATIZATION ADMINISTRATION

Hüseyin Rohmi Gürpinor Sokok, No: 2, Çonkaya, 06680 ANKARA / TURKEY Tel: (00-312) 441 15 00; Fox: (00-312) 440 32 71

June 15, 1994





The Nippon Credit Bank, Ltd. Notice to Holders of U.S. \$150,000,000

1% per cent. Convertible Bonds 2002 The meeting of the Board of Directors of the Bank held on 9th Merch, 1954 resolved to split each share of common stock of the Bank (the "Shares") with a par value of \$500 lint ten (ft) Shares with a per value of \$50 each as at 11th August, 1994 (the "Stock Split").

The Misson Credit Bank, Ltd.

As a result of the Stock Split, the current Convertion Price of the Bonds will be in accordance with Clause 5 (i) of the Trust Deed dated 14th October, 1987 con londs. The change of par value of the Shares requires an emendment to risides of incorporation of the Bank, therefore, the Sisok, Spiff is subject to the yeal of the general insetting of shareholders of the Bank to be held on 29th June, A further notice will be readle as to the Conversion Price to be adjusted. ser former yint on the Commercial Code of Japan which took affect on 1st April, m "Stock Spite" maste any kind of stock spit in relation to the Shares and ch sub-division of the Shares as are prescribed in the above Trust Deed.

15th June, **199**4

NACIONAL FINANCIERA, S.N.C., Trust Division as trustee of the Natio Finance Trust to trust under the lasts of Mesce)

US\$280,000,000 Guaranteed Floating Rate Notes due 1997 NACIONAL FINANCIERA, S.N.C. Notice is being given that the Rate of Interest has been fosed at 7.0625% and that the Interest payable on the relevant interest payment done September 15, 1994 against Coupan No. 7 in respect of US\$10,000 originally issued face amount of the notes will be US\$88.40.

By: Chilbank, N.A., (Issuer Services), Agent Bonk CITIBANG

This announcement appears as a matter of record only.

US\$75,000,000

Government of Bermuda

7.59% Senior Notes Due June 14, 2004

As agents for the Government of Bermuda, the undersigned placed these securities privately with qualified institutional buyers.







N M Rothschild & Sons Limited

Affiliated companies in Tokvo Shanghai

Hong Kong Toronto

Santiago

Singapore

Sydney

June 15, 1994

Lehman Brothers Holdings PLC corporated in England. Formerly named, serion Lebrara Brothers Holdings PLC) U.S. \$175,000,000

Guaranteed Floating Rate Notes due 1995 red as to perment of proceed terms unconditionally and Brothers Holdings Inc. outed in the State of Dela

accordance with the Terms and in accordance with the Terms and Conditions of the Notes, notice is hereby given, that for the Insurest Period from June 15, 1994 to September 15, 1994 the Notes will carry an loterest Rate of 5.3125% noun. The amount payable prember 15, 1994 will be U.S. \$13.58 for Notes in deno of U.S. \$1,000.

0

BANQUE PARIBAS

US\$200,000,000 Undated floating rate securities

In accordance with the provisions of the securities, notice is hereby given that for the three month interest period from 15 June 1994 to 15 September 1994 the securities will carry an interes rate of 4,875% per annum. Interest due on 15 September 1994 will amount to US\$12.46 per US\$ 1,000 security.

Agent: Morgan Guaranty Trust Company **JPMorgan**



US\$400,000,000 Undated subordinated floating rate securities In accordance with the provisions of the securities,

notice is hereby given that for the interest period from 15 June 1994 to 15 September 1994 the securities will carry an interest rate of 4.6875% per annum. Interest pavable value 15 September 1994 per US\$1,000 security will amount to US\$11.98 and per US\$10,000 security will amount to

US\$119,79 Agent: Morgan Guaranty Trust Company **JPMorgan**



US\$400,000,000

The Kingdom of Belglum

December 1999 In accordance with the

Floating rate notes due

provisions of the notes, notice is hereby given that the rate of interest has been fixed or 4.75% for the interest mination period 15 June 1994 to 15 December 1994. Interest payable on 15 December 1994 will amount to US\$2,414.58 per US\$100,000 note.

Morgan Guaranty Trust Company JPMorgan

vittes ahead

THE GERMAN PFANDBRIEF

SOLID VALUE FROM THE GROUND UP

If German quality – like Meissen fine porcelain – is your cup of tea, we suggest you spend your next break looking into German Pfandbriefe. Accounting for about 40% of the vast fixed-interest securities market in Germany, Pfandbriefe generally provide higher yields than

German Treasury bonds (Bunds). And thanks to the strict legislation of Germany's Mortgage Bank Act, they are just as safe.

This legislation is designed to ensure that investors receive a full return of principal in all circumstances. Pfandbriefe are bonds used to refinance mortgages or public loans. The bonds are covered by mortgages with an upper lending limit of 60% of the property's conservatively estimated value, or by public-sector loans. They must always carry backing of separate funds with at least matching yields and

rate funds with at least matching yields and maturities. Moreover, all Pfandbrief issues are monitored by a state-appointed trustee. Issuing banks are fully liable for each issue.

These and other safety features of the system help explain why at year-end 1993, DM 1 trillion were invested in outstanding Pfandbriefe, of which Germany's

26 private mortgage banks accounted for DM 603 billion. As for quality,

no investor has ever failed to receive 100% repayment of a Pfandbrief held to maturity. Not bad for an idea that goes back 225 years.

Germon Pfandbriefe are officially quated an German stock exchanges. Issuers octively maintain a wellfunctioning secondary market.

17

WHEN THERE'S NO SUBSTITUTE FOR QUALITY.

GERMANY'S MORTGAGE BANKS

DEPFA-BANK, WIESBADEN
BAYERISCHE VEREINSBANK AG, MÜNCHEN
HYPO-BANK, MÜNCHEN
DEUTSCHE HYPOTHEKENBANK FRANKFURT AG, FRANKFURT
RHEINHYP, FRANKFURT
DEUTSCHE GENOSSENSCHAFTS-HYPOTHEKENBANK AG, HAMBURG
FRANKFURTER HYPOTHEKENBANK AG, FRANKFURT
DEUTSCHE CENTRALBODENKREDIT-AG, KÖLN
BAYERISCHE HANDELSBANK AG, MÜNCHEN

WESTHYP, DORTMUND
BERUN HYP, BERUN
SÜDDEUTSCHE BODENCREDITBANK AG, MÜNCHEN
MÜNCHENER HYPOTHEKENBANK EG, MÜNCHEN
HAMBURGHYP, HAMBURG
WÜRTTEMBERGER HYPO, STUTTGART
NÜRNBERGHYP, NÜRNBERG
HYPOTHEKENBANK IN ESSEN AG, ESSEN
DEUTSCHE HYPOTHEKENBANK (ACT.- GES.), HANNOVER

BRAUNSCHWEIG-HANNOVERSCHE
HYPOTHEKENBANK AG, HANNOVER
ALLGEMEINE HYPOTHEKEN BANK AG, FRANKFURT
RHEINBODEN HYPOTHEKENBANK AG, KÖLN
LÜBECKER HYPOTHEKENBANK AG, LÜBECK
NORDHYPO BANK, HAMBURG
BFG-HYPOTHEKENBANK AG, FRANKFURT
WL-BANK, MÜNSTER
HYPOTHEKENBANK IN BERLIN AG, BERLIN

Middletown Trust

10%% Notes Series B due 1998

NOTICE IS HEREBY GIVEN that, pursuant to Article Beven of the General Covenant, for the Sinking Fund due July 15, 1994 U.S. \$16,560,000 of the Notes will be redeemed at 100% of their principal amount plus accrued interest to July 15, 1994, when Interest on the Notes redeemed shall cease to accrue. Following the above redemption, U.S. \$86,325,000 10:4% Notes Series B due 1998 and U.S. \$37,205,000 11% Notes Series C

The redemption price and accrued interest are payable against surrender of the Bearer Notes together with all coupons maturing subsequent to July 15, 1994 at the offices of the Paying Agents outside of the United States fisted below:-

The Chase Manhatten Benk, N.A.

Chase Manhattan Bank Luxembourg, S.A. 5 Rue Plaetis

Banque Bruxelles Lambert Avenue Maroly 24

Chase Manhattan Ban CH-1204 Geneva

The redemption price and accrued interest on the Registered Notes are payable at the office of the Registrar, Transfer Agent and Paying Agent. The Chase Manhattan Bank, N.A., Corporate Trust Administration, 4 Chase Metrotech Center, Brooklyn, New York, NY 11245. The Connecticut Bank and Trust Company

Dated: May 16, 1994

U.S. \$100,000,000



Great Western Financial Corporation

Floating Rate Notes Due 1995

Interest Rate

5½% per annum

Interest Period

15th June 1994 15th September 1994

interest Amount per U.S. \$50,000 Note dua 15th September 1994

U.S. \$670.83







U.S. \$50,000,000



Crédit Chimique

Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from June 15, 1994 to December 15, 1994 the Notes will carry an Interest Raie of 4.875° per annum. The interest payable on the relevant interest payment date, December 15, 1994 will be U.S. \$247.81 per U.S. \$10,000 principal

By: The Chase Manhattan Bank, N.A.

June 15, 1994





investment properties upwards of 9.5m for in-house funds and overs clients. Please forward details to: Richard von Götzer

URGENTLY Commercia

Market-Eye

FINANCIAL TIMES WEDNESDAY JUNE 15 1994 INTERNATIONAL COMPANIES AND FINANCE

Upstart Cott shakes cola kings

The Toronto group is at war with Coke and Pepsi, says Bernard Simon

7 alk into the Lohlaws supermarket in Humbertown Plaze on the western outskirts of Toronto and you are on the frontline of the global cois war. Soft drink displays dominate two walls of the store, and it is quickly apparent which brand Loblaws wants shoppers to buy. Most of the shelf space is taken up by President's Choice (PC), Loblaws' own in-house

A 750ml bottle of PC Cola sells for 49 cents, compared with 79 cents for Coca-Cola or Pepsi. While a 24-can case of tha two traditional brands costs C\$6.99, President's Choice sells for just C\$4.99.

PC Cola is one of e growing erray of private-label aoft drinks made by Cott Corpora-tion, the upstart Toronto-based company which is giving Coke and Pepsi – long viewed as two of the world's most invincible brands - their stiffest competi-

tion for a long time. The success of Cott and other private-label soft-drink makers led PepsiCo to warn last week that its second-quarter earnings would be virtually flat. Pepsi's share price has tumbled by 16 per cent on the New York Stock Exchange in the past 10 days.

By contrast, Cott last week reported a 67 per cent jump in first-quarter earnings, to C\$9.6m (US\$6.9m). Sales, at C\$217.5m, were more than 66 per cent higher, and they included a 77 per cent surge in revenues from the US. Analysts predict sales will surpass C\$1.2bn in the year to January 1995, almost double last year's

ments with 90 retail chains around the world. They include Wal-Mart, the biggest US retailer, which markets Cott products under the name Sam's American Choice. Since the beginning of the year, the Canadian company has helped supermarkets in the

UK, France and Spain to

launch private-label soft

drinks. It recently began shipments to Ito Yokado, Japan's

Cott has signed supply agree-

MSBURN'S

Classic battle: J. Sainsbury's own cola lines up against the rest

cluded in a recent report that

"private-brand retailers stand to make 15 per cent more profit

from a premium private-brand cola than they do from

Nowhere has Cott scored big-

ger gains, or provoked a more powerful response from Coke and Pepsi, than in its home market of Ontario. "It's tweaked Coke and Pepsi to re-

examine their whole organisa-

tion," says the soft drinks cate-

gory manager at one of Canada's biggeat eupermarket

are on the shelves of almost

every supermarket in the prov-

ince. Even corner stores carry them under the name RC Cola

(short for Royal Crown Cola),

for which Cott has the Cana-

Private-label colas have cap-

tured more than half the busi-

ness in the two biggest super-market groups, Loblaws and Great Atlantic & Pacific (A&P).

According to Cott, its products

now command a 31 per cent

share of the entire Ontario cola

On the other hand, Coca-

Cola's Canadian bottling sub-

sidiary ran up losses of almost C\$200m in 1992 and 1993. In a

dian bottling licence.

market.

he products of Cott, dis-guised in retail chains'

private-label packaging,

national brands".

second-biggest retailer. Cott's success is dramatic-ally illustrated by the experience of J. Sainsbury of the UK, which launched a Cott product under the name Sainsbury's Classic Cola in April. Within four weeks, the cola had won a 60 per cent share of Sainsbury sales, equal to a quarter of

England's entire take-home

cola market. Cott has several advantages over Coke and Pepsi: Its marketing and advertising expenses pale in compari-son. By providing retailers with their own private-label brands, Cott has no need to spend tens of millions of dollars promoting a national brand by sponsoring the US National Football League (as

Coke does), or hiring Michael Jackson and basketball star Shaqille O'Neal for advertising campaigns (as Pepsi has). Cott piggy-backs on retailers' centralised warehouse and distribution facilities, The same supermarket trucks which carry produce from warehousas to stores bring Cott soft drinks from the bottler back to the warehouse. • Until recently, the cost to bottlers of Cott concentrate was as little as one-sixth of

that for Coke or Pepsi. Mr Mark Husson, analyst at J. P. Morgan in New York, condrive to improve competitive-ness, it has closed eight of its 13 production plants, and all but six of the 68 administration

Coca-Cola and PepsiCo have sponded to Cott'e challenge in Canada by lowering prices and, more importantly, widening retailers' margins. The two national brands used to be loss leaders for many supermarkets. Now, according to an A&P official the margins on Coke, Pepsl and Cott colas are

roughly equal.

Competitive margins are not enough, however, to persuade retailers to push Coke and Pepsi as hard as their private labels. According to Mr Husson: "Successful retailers in the 1990s will be those understanding that they are promoting a strong, differentiated supermarket brand, not merely serving as passive landlords of

shelf space."
The A&P official notes that soft drinks hava played an indispensabla role in promo-ting the chain's entire range of Master Choice private-label products. "It's the one item that has brought the name Master Choice to the market-

place," he says. Not averyone, however, is convinced that Cott's long-term future is assured. Some analysts have questioned its aggressive accounting prac-tices. Its chairman, Mr Gerald Pencer, is an entrepreneur whose last venture – a Canadian trust and loan company ended in failure.

Coke and Pepsi's increasingly aggressive response has also raised doubts about whether Cott's spectacular growth of the past two to three years can he sustained. Its margins have lately been squeezed in several key mar-kets, including Ontario.

Cott's first-quarter earnings may have been impressive, but they were less impressive than many investors anticipated. PepsiCo and Coca-Cola can console themselves that their new rival's share price has also fallen more than 10 per cent in

Esab sees profit of SKr300m

By Hugh Carnegy

Esab, the world's leading producer of welding equip-ment, said yesterday profits were rising faster than anticipated. It forecast income after financial items for 1994 of around SKr300m (\$38m), com pared with SKr82m last year. The Swedish group said the

improvement stemmed chiefly from cost-cutting and restruct uring within the European operations, where the number of employees has fallen by 35 per cent since 1990. Although the European mar-

ket was said to be "somewhat weaker" this year, Esab said there was strong growth in North America and Asia.

Group sales in the first five months of the year rose mod-estly, to SKr3.1bn from SKr2.8bn in the same period last year. However, profits after financial items surged to SKr138m from SKr13m.

If market trends in Europe and North America continued, and there was no adverse effect from currency reform in Brazil, an important market, full-year profits should be three times the 1993 result.

Metra down heavily to FM65m

It predicted profits for the

four months of last year;

By Hugh Carnegy in Stockholm

Metra, the Firmish industrial group, yesterday reported profits after financial items of FM65m (\$11.8m) in the four months to the end of April, a dramatic fall from the FM145m posted for the same period last

However, Metra, whose main operations cover diesel engines, sanitaryware and security systems, said the figure was distorted hy unusually large daliveries hy the Wärtsilä Diesel unit, its biggest division, in the first

whole year would be ahead of 1993's FM472m, in spite of the effects of the merger amounced last week between Metra's Abloy Security divi-sion and the locks division of Sweden's Securitas. The merger, the latest in a

series of moves to narrow Metra's focus, will take effect later this year, creating Europe's biggest maker of cylinder locks.

The surge in Wartsila deliveries early last year, combined with divestments, also led to a decline in Metra's group sales in the first four months, to FM3.4bm from FM4.2bm. Sales for Wartsila, one the world's leading manufacturers of diesel power generators, tumbled 35 per cent during the period, to FML6hn, and operating profits fell heavily to

However, Metra said the order book had grown steadily since January, foreshadowing

four months of the year. Wartsila sales in the full year were expected to remain around last year's level of FM7bn, with profits down slightly on 1993's FM449m.

Weak sales deepen loss at Valmet

By Christopher Brown-Humes

Weaker sales of large paper machines led to deeper at Valmet, the Finnish engineering group, in the first four

months of this year The group, which recently raised FM671.3m (\$122.3m) through an international share offering, said its deficit after financial items amounted to

FM243m for the period. This is more than three times the previous year'a FM72m loss, and follows a 20 per cent drop in net sales, to

Tha group said several large paper machines were delivered in early 1993, whereas most of this year's contracts would not be booked until the end of the

Although it fell to an operating loss of FM140m from a FM80m profit, the bottom line benefited from reduced net financing costs of FM103m, against FM152m.

New orders amounted to

FM2.45bn, taking the order backlog at April 30 to FM6.15bn, or 3 per cent up on last year. The paper and board division accounts for FM4.8hn

of the backlog. Valmet warned that its fullyear result would be affected the recently-completed FM1.62bn sale of its transport equipment and tractor operations to Sign-Auto. The transfer will cut 1994 net sales by 20 per cent, to around FM8.5bn, and reduce operating

income from 1983's FM479m.

4

COMMERZBANK 24

Invitation to Receive

New Coupon Sheets

Securities coda number 803 200 -

In connection with the shares of our company, new coupon sheets with dividend coupons Nos. 61 - 80 and the renewal coupon attact will be distributed free of charge from 15th June, 1994 onwards, The distributing agents are:

S. G. Warburg & Co. Ltd.

Please submit the renewal coupons from the old coupon sheets, assified by nominal amounts and arranged in numerical order, to one of the above-mentioned credit institut list of serial numbers. Shareholders whose securities are bein in sere custody at a credit institution need not take any action

From 15th June, 1994, up to and including 15th July, 1994, the shares of our company will be available with both the renewal coupon, from the old coupon sheets, and the new coupon sheets; from 18th July, 1994 onwards they will be obtainable only with the new coupon sheet.

Frankfurt am Main, June 1994 The Board of Managing Directors

Heart II Limited US\$ 174,000,000 Secured Floating Rate Notes due 2000



THE VENEZUELA HIGH INCOME FUND N.V.

DIVIDEND NOTICE

Consistent with the authorization granted by the Board of Supervisory Directors on May 18, 1994, notice is hereby given that the Fund will pay a distribution of U.S. \$0.25 per share on July 15, 1994 to common shareholders of record at the close of business oo June 30, 1994, lo the case of shares held in registered form, or upon presentation of conpon number 12 attached to the common share certificate to the Fund's Paying Agent (on or after July 15, 1994), in the case of commoo shares held in bearer form.

By order of the Managing Director

Managing Director and Location of Principal Office

Curacao Corporation Company N.V. De Ruyterkade 62, P.O. Box 812 Willemstad, Curacao

nistrator, Registrar, Transfer and Paying Agent Cititrust (Behamas) Lin P.O. Box N1576 Oakes Field Nassau, Baham

Tovestment Manag Scudder, Stevens & Clark, Inc.

INTERNATIONAL COMPANIES AND FINANCE

Talks aim to clarify Egit fund's commitments

By Judy Dempsey In Berlin

The Treuhand privatisation agency yesterday held negotia-tions with the East German Investment Trust (Egit) in an attempt to clarify the extent of the London-based fund'a investment commitments in companies it bought from the

agency in 1992. Egit, which pledged to invest more than DM1.5bn (\$909,000) over the next three years in companies whose workforces total 7,000, is apparently having second thoughts about acquiring a stake in Forun, the eastern German refrigerator company. Forun was one of the first to manufacture a product free of CFC gases, which have been criticised on environmen-

tal grounds.
Mr Eberhard Günther, man-ager of Forun, said Egit had signed a contract in November 1992 to acquire 47 per cent of the company. "But Egit has not invested one DM in the company," said Mr Gunther, adding that Forum was in desperate need of capital in order to face growing

According to Forun, under the terms of the contract with the Treuhand, Egit had agreed to invest DM11.5m in the company over a four-year period, as well as guarantee 800 jobs. Forum had a turnover of DM120m last year, and is carrying losses of DM12m.

Mr Olav zu Ermgassen, a board member of Egit, this week denied that the fund had signed a contract for Forun and instead sharply criticised

"It is the Treuhand'e fault," said Mr Ermgassen, "We had the option to acquire a 47 per cent stake in Forum. We have been negotiating the terms of this contract with the agency since November 1992. But we have been passed from ona negotiating team to the next. The Treuhand did not stick to the original terms."

When It was set up in 1992, Egit'e board of directore included Mr Colin Black, chairman of Scottish Widows' Fund, and Sir Christopher Tugend-bat, chairman of Abbey National.

in the art Valle

Hard slog up the bad-debt mountain

Japan's banks claim the worst is over but details suggest otherwise, reports Gerard Baker

ast month, Japan's banks unveiled their annual results with confident boasts that the worst of the country's bad-debt crisis had past. They congratulated themselves on having disposed of more non-performing loans than they had ever written off

The figures seemed to support claims that the total of bad debts had peaked. At the 11 leading city banks, outstanding disclosed problem loans fell by more than 3 per cent from September 1993 to the end of March, down to less than 4 per cent of total loans. Most banks spoke boldly of eliminating problem loans

within two years.
But, on closer inspection, the details suggest the bad debt mountain is a long way from being scaled. Most of the apparent improvement in the banks' performance stems from their disposal of loans to the Co-operative Credit Pur-chasing Corporation (CCPC), a body set up last year specifically to take over the worst of the bad debts - and the writing-off of loans to that body is not quite what it

As an exercise in financial alchemy, the CCPC could not have been bettered. Banks would turn the base metal of their non-performing loans into gold of a sort by selling them to the CCPC at a discount to their full asset value, and book the difference as a loss against their earnings.

The value of the loans parked with the CCPC would then be a real, though slightly diminished asset. The CCPC would disposa of the loans. most of them property-related, and collect the collateral.

But this alchemy is, in prac-tice, little better than its medieval forerunner. The catch is that the banks have to lend the money to the CCPC in the first place to enable it to buy the loans. The risk of default remains with the bank. If the CCPC is unable to recover what it paid for the loans, the difference is met by the

As Mr David Snoddy, bank-ing analyst at Jardine Fleming in Tokyo, says: "The CCPC is principally a repricing mechanism, designed to reduce the market's perception of bankruptcy risk in Japan's

If the CCPC were getting rid of the vast numbers of loans it has purchased from the banks at book value, of course, there would be little to worry

But the latest figures from the corporation, published this

Bought

Number

414

16

19

116

103

226

Face

(Ybn)

130.6

954.7

54.1

51.4

231.2

187.6

487.0

85.1

901 1,862.8

Value at

(Ybn)

485.7

29.3

105.0

213.9

708.9

98.6

0.1

pile up the base metal, without any real sign of the

The banks have been dumping vast quantities of loans on the CCPC. So far it has managed to dispose of just over 1 per cent of them.

he failure of the CCPC to liquidate the loans may soon create a problem for the operation of the system itself. Under ministry of finance

rules, banks are forbidden from lending more than 20 per cent of their primary capital base to any one lender. Some banks have been so busy pass ing on loans to the CCPC that they are in danger of breaching that constraint.

The finance ministry yesterday denied that there was any immediate threat, but the fig-ures speak for themselves.

CCPC: loans from all banks

Average

(%)

week, show that it continues to Banks' primary capital ratios stand at an average of about 5 to 6 per cent.

> They are attempting to dispose of around 5 per cent of their total loan book as bad That means that only one-fifth of the loans would have to

be passed to the CCPC before they started to hit the capital adequacy constraint. It is unlikely that such a sitnation would provoke a crisis.

Before the ratios are breached.

the ministry is likely to step in with a solution. One possibility is a "Son of CCPC", enabling the banks to go on lending in the same way to another, identical institution. In such a way, a whole family of CCPCs could be

spawned as the number of loans piles up.

The CCPC does have benefits for the banks. But even these

have been overstated.

Value of

Ybn

0.4

0.4

0.1

Sold

No of

tax. Normally, banks have to negotiate with the finance ministry on every loan for which they wish to receive approval to post tax-free reserves. The CCPC allows them to receive the tax relief automatically. But, as Mr David Threagold

Its principal advantage is

of BZW in Tokyo, points out this is not such a huge benefit "The banks would still eventually receive the relief on the bad loans once they were finally confirmed as nonperforming," he says. "All the CCPC allows them to do is to receive the relief immedi-

All this leaves the bank's bad debt problems where they have been for some time. And behind the official figures

there are darker problems.

The CCPC deals only with loans meant for liquidation. Later this year, the banking authorities will announce new plans for dealing with the vast numbers of loans that do not even currently appear as non-performing - loans that have been 'restructured', where interest rates have been pared to the bone to keep borrowers affinat

Ms Alicia Ogawa, banking analyst at Salomon Brothers in Tokyo, estimates that, counting the bulk of the CCPC loans as non-performing, and adding in the undisclosed restructured loans, total problem loans at all Japan's largest banks grew by at least 15 per cent last

As the pace of economic recovery threatens to be slow, the truth for most hanks is that they are still some way from the summit of their bad debt mountain. The next few years promise them a hard slog

The Royal Bank of Scotland Group pic

The Korea Equity Trust

International Depositary Receipts

Evidencing Certificates In respect of

1,000 Units in the Trust

NOTICE IS HEREBY GIVEN to Unitholders that Korea Equity Trust has declared a dividend in The Republic of Korea amounting to Wen 29,000 per Certificate por 1,000 Units, payable on or after July 1, 1994. Payments of Coupon No 5 of the International Depositary Receipts, will be made on or efter July 1, 1994 against presentation of the Coupons to the Depositary or to one of the Depositary Agents listed below:

DEPOSITARY

Chase Manhattan Bank Luxembourg S.A.

6 Rue Plaetis, Luxembourg Grund, L2012 Luxembourg

DEPOSITARY AGENTS

The Chase Manhattan Benk, N.A.

Chase Manhatten Benk (Switzerland)

63 Rue du Rhône, CH-1204 Genova, Switzerland

The emount of dollars payable in respect of Coupons presented to an Agent of the Depositary by the Close of Business on June 29, 1994 shall be the net proceeds of the sale of the amount of Won for US dollars at the prevailing telegraphic transfer selling rate of US dollars for Won as quoted by a foreign exchange bank in Korea on the day on which the refevant transfer is made.

The dividend proceeds will be distributed to IOR holders in proportion to their respective entitlement end after the deduction of all taxes and lees, charges, duties end expenses of the Depositary.

All Certificate holders are required to submit the name and address of a bank in New York and a US dollar account number for payment, or an address for which payment should be sent by US dollar cheque.

All holders residing in a country having a double taxabon treaty with the Republic of Korea may obtain payment at a lower rate of the Korean non-resident withholding tax, on condition they turnish to other the Depositary or through one of the designated Depositary Agents, a certificate showing their residence, together with a copy of the Certificate of Incorporation, or, for Individuals, a copy of their passport. Those documents are requested by the Korean National Tex Administration Office as evidence of residence.

Without such proof of residence, the full tax rate of 26,875 per cent Korean non-resident withholding tax will be retained.

All documents should be submitted to the Depositary or a Depositary Agent by June 29, 1994.

ise, Coleman Street Chase Plaza, 34-35 Chung-dong in EC2P 2HD Choong-ku, Seoul, Republic of Korea

US \$350,000,000 UNDATED PLOATING RATE PROMART CAPITAL NOTES

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from 15th June 1994 to 15th December 1994, the Notes will bear a Rate of Interest of 5.125% per annum. The amount of interest payable on 15th December 1994 will be US \$260.52 per US \$10,000 Note and US \$6,513,02 per US \$250,000 Note.

AGENT BANK: CHARTERHOUSE BANK LIMITED



Argus Fundamentais

Petroleum Argus

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Sep 93

Oct 93

Nov 93

Dec 93

Jan 94

Feb 94

Mar 94

Apr 94

May 94

General Motors New Zealand, a unit of the US carmaker, recorded its best financial result for six years in the 1993 calendar year, reporting an after-tax profit of NZ\$2.5m (US\$1.5m) compared with a loss of NZ\$800,000 in the previous 12 months, Reuter reports from

Wellington. Mr Don Bowden, managing director, said the result reflected for the first time the full impact of cost-reduction initiatives implemented during 1992.

Profit before tax was NZ\$5.8m, a \$7m rise over the previous year. Mr Bowden said: "It was achieved in

a market that offered little in the way of growth and that was marked by fierce competitive activity at the retail end of the business." He said the result vindicated the com-

pany's strategic direction in recent years, with a switch in focus from new vehicle assembly and distribution to sales and marketing.

GM unit turns in record year | NZ forestry group optimistic

Accumulative

0.1

0.1

0.6

0.8

Forestry Corporation of New Zealand is optimistic that the recent lifting of a han on logging the Pacific north-west forests will not have an adverse effect on profits, Reuter reports from Welling-

Mr Tim Cullinane, chief executive, said yesterday: "It is by no means certain that the changes that have taken

place will in fact hold.
"I think we can expect the environ-mentalists will run another solid

He said he thought wood prices would hold steady for the rest of the Forestry Corp earlier announced a

charge through the courts system, and

our intelligence is that there will not

be much of an increase in volumes

net profit of NZ\$157.1m (US\$92.5m) before payment to the government of a NZ\$112m dividend. Gross sales were NZ\$454.2m.

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Visits to Installations

The Cepri-ELP invites interested parties to visit Electroperu's SICN installations from June to September, 1994.

Interested parties are requested to communicate their intention to participate in the installation visits as soon as possible.

Contact for Further Information

Oscar Gómez: Presidente Cepri-ELP 5114-66-1849 Fax: 5114-66-1899 Lima, Perú.





J.P. Morgan & Co. announces a special presentation for institutional investors:

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Topics will include:

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- Corporate credit analysis and market value
- · Credit enhancement and structured Eurobond notes

The presentation will be given in Ceneva on Wednesday, 22 June and in Zurich on Thursday, 23 June.

For further information, please call Ronald M. Neumunz Vice President **Emerging Markets** J.P. Morgan Securities Ltd., London 071 779 2414

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Bondholders are hereby informed that the rate for the coupon Nº 6 has been fixed at 4.6875%, for the period, starting on 14/06/1994 until 13/09/1994, inclusive, (representing a period of 92 days).

Tha coupon will be payabla on 14/09/1994, at a price of USD 119.79 for the USD 10,000 Notes, and USD 1,197.92 for tha USD 100,000 Notes.

The Principal Paying Agent CREDIT LYONNAIS

£175,000,000 Floating Rate Notes due 1994 In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 12th September, 1994 has been fixed at 5.30625% per annum. The interest accruing for such three month period will be £136.65 per £10,000 Beauer Note, and £1,366.54 per £10,000 Beauer Note, on 12th September, 1994 against presentation of Coupon No. 12. Union Bank of Swi Union Bank of Switzerland London Branch Agent Bank

10th June, 1994

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Powerline

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the largest Japanese operator, is a possibility.

Mr Roulet was at pains to stress that the Sprint deal is consistent with his company's existing investment plans and can be financed through cashflow or borrowings. Neither, he said, would it undermine France Telecom's policy of reducing its financial charges. The aim is to reduce financial charges to three per cent of sales by 1996, compared with a current level of just under 7

ew of the world's larger telecommunications operators are more dissimilar than Sprint and the

French and German state com-

France Telecom and Deutsche Telekom are state-owned

national monopolies. Sprint,

with revenues barely a third as

large as its new German part-ner, has fought former monop-olists every day of its life, in the process building an impres-

Yet for all three companies, yesterday's alliance was the

answer to a similar problem: how to become a serious chal-

lenger in the emerging market for one-stop international tele-

For France Telecom and

Deutsche Telekom, the deal satisfies a long-held desire to

find a US partner to strengthen

their international expansion

and strengthen their position in the large corporate sector ahead of the liberalisation of

the European telecommunica-tions market in 1998. Sprint's

existing client base among

multinationals, its modern

data network and its brand

name, are seen as valuable

The French and German

operators signed an Eculbu

alliance last December to

strengthen their existing "Eunetcom" joint venture to

provide corporate services. A

US deal was the next vital step.

But for both European com-

panies it is far from the last step. Yesterday Mr Marcel Rou-

let, chairman of France Tele-com, spoke of extending the

agreement to include new part-

ners in the Asia-Pacific region.

He declined to mention the

potential partners, but NTT,

coms services.

sive international portfolio.

How the companies compare Mance Telescon Monteche Telescon

THE SPRINT DEAL

Unlikely allies make a connection

Yesterday's three-way telecoms deal unites groups with distinct ideas

France Telecom's status as "autonomous operator under public law" has ruled out the exchange of shares to seal alliances. Last year the French government announced

plans to convert the operator into a state-owned joint stock company. But strong opposition from its 155,000 employees Mr Roulet is trying to persuade his staff of the need for reform. But privatisation remains a distant prospect. So too, therefore, is the prospect

of a cross-shareholding with Thus yesterday's deal seems unlikely to accelerate France Telecom's entry into the private sector. Mr Roulet and Mr Helmut Ricke, his German counterpart, also played down the prospect of a more rapid liberalisation of the Franco-German voice telecommunica-

tions market as a condition for regulatory approval. Deutsche Telekom has already been expanding rapidly eastwards. Last year it took a 30 per cent stake in Matav, the Hungarian state-owned telecommunications group, which it bought with Ameritech of the US for \$875m. it also has a stake in Astra, the international satellite television company, and a share in mobile and fixed networks in Russia and Ukraine, The operator also has EU ambitions: It has just soined the Spanish Cometa con-

sortium bidding for a mobile phone licence in Spain. However, Deutsche Telekom's internal problems are

just as pressing as those of its French partner. It is in tough talks with the postal union which may threaten the next stage of privatisation, the creation of a joint stock company by January 1, 1995. Mr Helmut Ricke, Deutsche

Telekom chairman, said the company would "have consid-erable difficulties" finding the DM1.75bn it needs to finance the purchase of an 11.1 per cent stake in Sprint, the first tranche of a two-stage operation to give the French and German companies 20 per cent of Sprint. The money had, however, been set aside in the company's medium-term financial plan. "Even if it [privatisation]

does fall this project will be safeguarded," said Mr Ricke. Unless Mr Helmut Kohl's centre-right coalition can persuade the opposition Social Democrats to vote in favour of privatisation before June 29, it will be impossible to meet the existing privatisation deadline, since privatisation requires a two-thirds parliamentary majority to pass. That may not overturn the Sprint deel, but it will make its extension prob-

For Sprint, the European alliance offers added credibility and financial muscle as it tries to attract business from multinational companies in the fastgrowing global market. Sprint is the smallest of America's three long-distance telecommunications groups, with a market share of around 9.5 per cent to the 19 per cent held by MCI and some

60 per cent by AT&T. A tie up with France Telecom and Deutsche Telekom links it with the dominant carriers in two countries which contain some 14 per cent of the world's multinationals. With a further 29 per cent located in the US, that gives the alliance a potential market of nearly 50 per cent of the world's leading companies before it starts the harder task of winning bust-

ness in other countries. Sprint already has a substantial presence in the internetional market for corporate data traffic through SprintNet. one of the world's leading leading data networks. SprintNer's operations outside the US will be injected into the global partnership with the French and

Mr Bill Earey, Sprint's chair man, yesterday highlighted two probable uses for the \$6m of new equity Sprint is raising. Some will be earmarked to pay down debt. Sprint also plans to use the money on new investments, notably its plan to ally with other US wireless service providers and create a seam-less national mobile telephone network.

As part of this scheme. Sprint plans to bid for US licences for a new system of mobile telephony - personal communications services (PCS) being auctioned at the and of

Martin Dickson, Michael Lindemann and John Ridding

NOTICE OF REDEMPTION

MORTGAGE FUNDING CORPORATION NO. 1 PLC Class A-1 Mortgage Backed Floating Rate Notes Due March 2020

NOTICE IS HEREBY GIVEN to Bankers Trustee Company Limited (the "Trustee") and to the holders of the Class A-1 Mortgage Backed Floating Rate Notes Due March 2020 (the "Class A-1 Notes") of Mortgage Funding Corporation No. 1 PLC (the "Issuer") that, pursuant to the Trust Doed dated 3 lat March, 1988 (the "Trust Doed"), between the Issuer and the Trustee, and the Agency Agreement dated 3 lat March, 1988 (the "Agency Agreement"), between the Issuer and Morgan Guazanty Trust Company of New York (the "Principal Paying Agent") and others, the Issuer has determined that in accordance with the redescription provisions set out in the Terms and Conditions in the Terms and Conditions in the smooth of £1,000,000 will be utilized on 30th June, 1994 (the "Redemption Date") to redeem a like amount of Class A-1 Notes. The Class A-1 Notes of £100,000 for redemption and the Redemption Date at a trademption price the "Redemption Price". by drawing in lots of £100,000 for redemption on the Redemption Date at a redemption price (the "Redemption Price") equal to their principal amount, together with accrued interest thereon are as follows:

THE DISTINCTIVE SERIAL NUMBERS SET OUT BELOW Bearer Notes

791 The Class A-1 Notes may be surrendered for redemption at the specified office of any of the Paying Agents,

Morgan Guaranty Trust Company of New York PO Box 161, 60 Victoria Embankment London FC4Y 01P

314

36-38 Crand-rue

L-2011 Luxembours

Morgan Guaranty Trust Company of New York Avenue des Arts 35, B - 1040 Brussels

1317

Morgan Guaranty Trust Company of New York 55 Exchange Place, Basement A Union de Banques Suisses (Luxembourg) S.A. New York, New York 10260-0023 Attn: Corporate Trust Operations

825 1132

In respect of Bearer Class A-l Notes, the Redemption Price will be paid upon presentation and surrender, on or after the Redemption Date, of such Notes together with all unmatured coupons and talons appertaining thereto. Such payment will be made (i) in sterling at the specified office of the Paying Agent in London or (ii) at the specified office of any Paying Agent listed above by sterling cheque drawn on, or at the option of the holder by transfer to a sterling account maintained by the payee with, a Town Clearing branch of a bank in London. On or after the Redemption Date interest shall cease to accrue on the Class A-l Notes which are the subject of this

MORTGAGE FUNDING CORPORATION NO. 1 PLC By: Morgan Guaranty Trust Company

as Principal Paying Agent Dated: 15th June, 1994

NOTICE

Withholding of 31% of gross redescribed proceeds of any payment made within the United States is required by the Internal Revenue Code of 1986 and assended by the Energy Policy Act of 1992 unless the paying agency has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent if presenting your Class A-1 Notes to the paying agency's New York Office.

Franco-German pact defies sceptics ast autumn the French

and German state telecommunications companies were in talks about a union extending to a full merger of their international activities, and the possibility of an equity swap. In the event they produced a far more modest joint venture.

Six months later, the scentics warned that the talks between the Franco-German alliance and Sprint, the thirdlargest US long-distance carrier, would end the same way. The state-owned European monopolies had enough problems forging their own alliance: subsequent talks with AT&T, the large US group, came to nothing; and the challenge in linking with any operator in the highly competitive

US market seemed Herculean. Yesterday was no time for sceptics. France Telecom and Deutsche Telekom went the whole way, spending \$4.2bn on a stake in Sprint and mapping out a structure promising that the new alliance would serve the world. Mr Helmut Ricke, Deutsche Telekom's chairman, called Sprint "the ideal partner" for implementing his global strategic goals.

The Franco-German-Sprint deal mirrors last year's alli-ance between British Telecommunications and MCI of the US. The amount of cash

Mortgage Finance Ltd.

Guaranteed Secured Floating Rate Notes due 1997

For the period from June 15, 1994 to September 15, 1994 the Notes will carry an interest rate of 51/625% per annum with an interest amount of US \$1,319.31 per US \$100,000 principal amount of Notes payable on September 15, 1994.

Benk of America NT & SA. London - Agent Bank

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Helmut Ricke: Sprint is 'ideal partner for Deutsche Telekom

involved is roughly similar, in both cases it is flowing from Europe to the US; and the goal proclaimed for the international alliances - to exploit the large corporate market for onestop international telecoms services - is identical.

A third alliance may be in the offing - between AT&T and Unisource, a joint venture between the Swedish, Swiss and Dutch national operators. If the talks between the two yield another US-European tie-up, the financial arrangements are likely to be different to the other two: but the rationale and objectives will be the

However, the parallel between the BT/MCI and Sprint/Franco-German deals should not be pressed too far. The alliance announced yesterday is between three, not two companies, and beers all the hallmarks of complex tripartite haggling. While BT and MCI are to establish one joint venture company to apearhead their joint efforts, Sprint and its partners are promising at least three senarate entities with a variable balance between the three.

The regulatory barriers are also likely to be far higher for Sprint, France Telecom and Deutsche Telekom than they were for BT-MCL It has taken the latter a year to get approval from US authorities, in spite of the fact that the UK is arguably a more competitive telecommunications market than the US.

France and Germany, by contrast, remain monopolies for voice and leased-line business - the most lucrative parts of the telecoms business. Neither the French nor the German operators will face "voice" competition in their home markets until 1998, and given Mercury's experience in the UK it may take years for competition to become a reality. Within minutes of the

deal, AT&T was vowing to fight it atrenuously through the US Federal Communications Commission and other forums. US analysts believe it stands some chance of success.

announcement of yesterday's

The French and Germans claim that the alliance will provide services only in sectors notably data telecoms and private corporate networks already open to competition in their home markets. Nonetheless, claims and counter-claims as to the cross-subsidies being provided from monopoly revenues look set to preoccupy regulators, possibly for years.

he spotlight is now. firmly on AT&T, whose European strategy has been difficult to discern since BT announced its purchase of 20 per cent of MCI last June. AT&T has to decide whether to work with established European operators, or to compete aggressively against them as

and when it can. An alliance with Unisource may offer it the best of both worlds - taking it into Europe in respectable domestic com pany, but leaving it free to compete head-on with the EU's larger operators, which control most of the telecoms business of Europe's multinationals.

Andrew Adonis

U.S. \$150,000,000



Formosa Plastics Corporation, U.S.A.

Floating Rate Notes due 1999

in accordance with the provisions of the Notes, notice is hereby given that for the six month Interest Period from June 15, 1994 to December 15, 1994 the Notes will carry an Interest Rate of 6.375% per annum. The interest payable on the relevant interest payment date, December 15, 1994 will be U.S. \$16,203.13 per U.S. \$500,000

By: The Chase Manhattan Bank, N.A. London, Agent Benk June 15, 1994

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Undeted Floating Rats Primery Capital Notes (Series 3)

For the six months from June 15, 1994 to December 15, 1994 the Notes

Teste to December 15, 1994 the Notes will canry an interest rate of 4,975% per annum. On December 15, 1994 interest of U.S. \$252,90 and U.S. \$2,528,96 will be payable per U.S. \$10,000 and U.S. \$100,000 respectively for Coupon No. 18.

0

CHASE

Br: The Chase Machatter Sont, N.A.

London, Agent Stark

June 15, 1994

CITICORPO

Morgan Guaranty Trust Co. of New York 60 Victoria Embandance

U.S. \$250,000,000 Floating Rate Notes Due December 1995 Notice is hereby given that the Rate of Interest has been fixed at 4.6875% and that the interest poyable on the relevant interest Payment Date September 15, 1994, against Coupon No. 3 will be US\$59,90 in respect of US\$5,000 naminal of the Notes and US\$1,198.00 in respect of US\$100,000 naminal of the Notes.

NOTICE OF NOTEHOLDERS OPTIONAL REDEMPTION

GATIC S.A.I.C.F.I.A

US\$35,000,000, 11% Notes due 1995

US\$35,000,000, 11% Notes due 1995

Noteholders are advised that is accordance with Condition 5(c) of the above Notes, the Notes may be redeemed at the option of the holder on the interest payment date falling on 8th September, 1994, at a redemption price of 99 3/8% of their principal amount. Payment will be made in accordance with Condition 6 of the Notes against summeder of the Notes, together with all summatured coupons at the office of any of the Paying Agents listed below. Notes and Corpors will become void unless presented for payment within a period of ten sed five years respectively from the Optional Redemption Date. To exaction such option the holder must deposit such Notes, accompanied by a completed form of election with any Paying Agent mentioned below during the period beginning 26th July, 1994 and ending on 9th August, 1994. The form of election gotions are obtainable from any Paying Agent. Noteholders should have the appropriate tax advice when deciding whether to exercise the option referred to above.

Banque Paribes, Laxembourg 10a Boulevard Royal, L2093 Laxemb

U.S. \$500,000,000 CITICORP 6

Subordinated Bank Adjustable Note Capital Securities BANCS Notice is hereby given that the Rate of Interest has been fixed at 4.8125% and that the interest poyable on the relevant Interest Payment Date September 15, 1994 against Coupan No. 31 in respect of US\$50,000 nominal of the Notes will be US\$614.93.

CITIBANCO

June 15, 1994, London By: Chibank, N.A. (Issuer Services), Agent Bank CITIBANCO



US\$325,000,000

Floating rate notes 1999

Notice is hereby given that the per annum from 15 June 1994 to 15 September 1994. Interest able on 15 September 1994 valuate on isseption of the will amount to US\$11.50 per US\$1,000 note, US\$115.00 per US\$10,000 note and US\$1,150.00

Agent: Morgan Guaranty Trust Company

JPMorgan

TISS 500,000,000 Floating Rate Subordinated Long Participation Certificates due 2000 rued by J.P. Morgan GmbH for the purpose of funding and mintaining a subordinated form

The Dai-Ichi Kangye Bank, Limited corresponding to payments of interest under the loan is, for the facrest Period from 14th June, 1994 to 14th September, 1994, 4.8125% per mamm, with a Coupon Amount of USS3.074.65 per USS 250,000. Certificate payable on 14th September, 1994. Del-Ichi Kangyo Bank (Luxembourg) SA Agent Bank

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SECOND NOTICE

Due to the failure to reach the requested quorum for the General Meeting of the holders of 6 1/1% 1990-2000 Bonds of FRF 680 sominal value issued by ALCATEL ALSTHOM COMPAGNIS OSNERALS D'ELECTRICITÉ con-ALCATEL ALSTHOM COMPAGNIS ORNERALE DELECTRICITE con-vened on June 10, 1994 the holders of these bonds are convened to a new General Meeting to be held 50 rmc Takthout-75009 PARIS (France) on June 22, 1994 at 2,30pm in order to deliberate on the same agenda similar as the one of the former General Meeting, namely;

Board of Directors' Report

Approval of the decision proposed to the Mixed Meeting (Ordinary and Extraordinary) of shareholders, authorising the board:

· to issue, with waiver of their preferential right:

securities which allow, through conversion, exchange, repayment, presentation of a warrant or through any other way, to receive shares of

rovide members of the company or members of the group affiliates, one to subscribe or purchase shares, without any profescutial subscrip-

to use, in case of public offering to purchase or exchange shares, the authorisations given to it in order to roise the capital. Decision on the method of recording the documents of the General Meeting. In order to permit the bondholders to attend, or to be represented at this meeting, the Bonds or their deposit receipts must be deposited at least five days before the date fixed for the meeting, with one of the basis having participated in the placement of these Bonds and from whom proxies or admission cards can be requested. No quorum is required for this meeting.

THE BOARD OF DIRECTORS

Global offer

38583" teres

Treasuries improve after better inflation news

By Frank McGurty in New York and Conner Middelmann in London

US Treasury bonds improved yesterday morning after the day's economic news relieved the market's lingering con-

By midday, the benchmark 30-year government bond was higher at 87%, with the yield slipping to 7.306 per cent. The two-year note was 1 better at 100%, to yield 5.805 per cent.

Bonds made a moderate move higher in early trading after the Labor Department reported that consumer prices May had risen by a benign 0.2 per cent, for an annualised rate of 2.5 per cent. When the more volatile food and energy CPI came to a 0.3 per cent. Both figures matched the consensus forecast of economists.

The readings eased concern in the bond markets that inflation may have begun to climb last month. Such misgivings were introduced last Friday, when the core producer price indax for May slightly exceeded expectations.

Yesterday the positive sentiment was reinforced by news of a 0.2 per cent decline in May retail sales. Analysts had projected no change in the reading. which suggested a cooling economy and tamer inflationary pressures.

■ European government bonds had another roller-coaster day, falling sharply in the morning and rallying in the afternoon to close little changed on the

The early sell-off was largely due to technical selling in the futures market and nervous-ness ahead of US inflation and

retail sales data. When these turned out better than expected, US Treasuries rose, pulling European bonds higher.

■ Despite sterling's weakness, UK gilts put in a strong performance, broyed in the afternoon by the better US trend. However, most of the action was reported to have taken

GOVERNMENT BONDS

place in the futures market. Most investors think the market's cheap but aren't willing to commit any money to it," said one dealer.

Most traders today will be watching a barrage of data, including May retail prices, May unemployment and April average earnings data.
The average earnings will

cancelled a planned auction of the November EU referendum. be the most closely watched after strong numbers in the a five-year bond which was to last few months," said Mr Ian have totalled Sch10bn, trigger-Shepherdson, UK economist at ing a spurt of short-covering in the five-year area. HSBC Greenwell. If average earnings come in at 4% per **Dutch bonds tracked German** bunds despite the Dutch cen-

cent "gilts will have another horrible day," be said. The con-sensus forecast is for a 4 per its special advances rate to 4.90 cent rise in average earnings. per cent. The cut was largely Traders will also be looking a technical adjustment on the to chancellor Kenneth Clarke's Mansion House speech tonight. back of guilder strength," said Mr Böhler.

■ German bonds fell sharply ■ Despite the Swedish central in the morning in futuresbank's three basis point cut in driven trading and bounced back after the US data. Weak its repo rate to 6.92 per cent, Swedish bonds plunged in the April retail sales numbers had morning on heavy foreign selllittle impact on bunds, "The market has still not refocused ing, which also pressured the currency, before recouping on fundamentals, which are most of the losses in the afterbeing overridden by technical and external factors," said Mr Torsten Böhler, senior bond

In Austria, the government

While many analysts now see value in the market, "with the political uncertainty ahead

tral bank's 10 basis-point cut in

and the economic risks associated with the strengthening recovery, we see the risk of further yield curve steepening in the months ahead." warned Mr Graham McDevitt, bond

strategist at market analysts In Finland, market participants are eyeing today's vote of confidence for Prime Minister Esko Aho's government, which, he warned yesterday, would resign unless it received sufficient assurance of political support for its handling of the EU membership process.

■ Italian bonds were dragged off their lows by the recovery to other markets, but further advances are expected to be capped by today's issuance of new 10-year bonds and continued uncertainty about the size of the September election and

able voice in Congress. of the budget deficit.

expires in October.

trades.

exchanges have done little

Chicago heads for regulatory clash

initial hicago's two big futures exchanges and their primary regulator, the Commodity Futures Trading Commission, are heading for a showdown over how strictly customer protection rules should be enforced just as the exchanges, and the derivatives industry in general, are attracting a broad range of new customers and large blocks of business.

The outcome of the dispute may determine whether the CFTC, which has a reputation as a "soft-glove" regulator, will be able to function effectively as the main derivatives watch dog in the US, or whether it will be hamstrung by the derivative industry's consider-

The test for the agency comes as its newly-nominated chairman, Ms Mary Schapiro, awaits confirmation on Capitol Hill, and within weeks of the start of Congressional debates on the CFTC's reauthorisation. The CFTC's current mandate

At issue is the Commission's enforcement of fraud in 1989, when the Chicago Mercantile Exchange and the Chicago Board of Trade were under federal investigation for corrupt trading floor practices.

Investigators found weak

controls, non-competitive order execution and manipulation of the price and timing of

The CFTC responded by ordering the exchanges to audit trades more closely, and Congress, in reanthorising the CFTC in 1992, directed the Commission to enforce tighter audit by October 1993. Congress, through the CFTC, also ordered the exchanges to have in force a modern - and trans-parent - trade-tracking system

In spite of the mandates, the

since 1989 to upgrade their existing trade-tracking systems

Instead, they have invested some \$12m in developing a high-tech electronic "notebook" to be used by traders and brokers to record transac-

The system, dubbed Audit. aims not only to meet the more stringent 1995 trade tracking requirements, but also provide a variety of pit accounting ser-

vices to brokers. Exchange officials admit thet if their goal for the Audit project was simply to create a foolproof audit trail, it could have been completed quickly and cheaply by 1991. However, by going for a full service device, they have used technology to successfully delay interim

CFTC sanctions. In a review of the CBoT's trade-tracking system last year, for example, the CFTC found it had generated few investigations that resulted in referrals to exchange disciplinary committees, and that the exchange had ignored previous Commission suggestions for upgrading the system.

owever, the Commission excused the short-comings, noting the CBoT's commitment to the Audit project, which at that time was due to be implemented in 1995.

In a surprise twist last week, however, the exchanges told Congress and the CFTC that they needed another four years

to develop Audit. Rather than risk CFTC sanc tions for missing the 1995 deadline, the exchanges persuaded an Illinois Congressman to introduce a House Appropriations proceeding that would force the CFTC to extend the trade-tracking deadline to 1999 or risk losing its funding,

Laurie Morse

Global offerings in the works for US mortgage agencies

By Tracy Corrigan

Bank Nederlandse Gemeenten (BNG), the Dutch municipal finance bank, plans to take advantage of its newly-assigned debt ratings to launch a series of benchmark international bonds. Yesterday, Moody's and Standard & Poor's both officially rated the bank's

debt triple-A. Global offerings for two leading US mortgage agencies are also in the works. The Federal National Mortgage Association (Fannie Mae) has followed the lead of the Federal Home Loan Mortgage Corporation (Freddie Mac), which last week announced plens to launch its first global offering via Salo-mon Brothers and Goldman

Fannie Mae has mandated

Merrill Lynch and J.P. Morgan to arrange its offering, which could emerge as early as next week. Both offerings are expec-

ted to total around \$1hn. Fannie Maa's 10-year US domestic bonds currently trade at a spread of about 28 basis points over the comparable Treasury yield, but a global

INTERNATIONAL **BONDS**

bond would be priced more tightly. The maturity of the global bond has not yet been decided

In addition, Belgium is con-sidering a \$500m bond offering, which could emerge today, though a maturity is yet to be BNG plans to launch a series

of benchmark issues in D-Marks, yen and dollars, according to Mr Jakob Hekkelman, a member of the bank's executive board.

Goldman Sachs, which acted as financial adviser to BNG on its rating, has been mandated to arrange the first benchmark

The decision to seek a rating

was sparked by the expansion of the bank's international borrowing. "We are becoming increasingly active in the international capital markets," said Mr Hekkelman. "It's better to have explicit ratings," rather than constantly to explain to potential investors the bank's close relationship to the Dutch government. BNG is 50 per cent-owned by the government and 50 per cent by Dutch municipalities and provinces.

NEW INTERNATIONAL BOND ISSUES										
OTTOWAY OLLARS	Amount m.	Coupon %	Price	Meturity	Fees %	Spreed. bp	Book runner			
PHELT 94-1(a)+; or Eastern Dev. Stores(c)S	731.258 100	(5.0)	(100.00) 100.00	May.2011 Jul.2001	0.30 2.50	:	Mentil Lynch International Baring Brothers & Co.			
MARKS epublic of Argentina	500	8.0	99.975	Jul.1997	1.50		Deutsche Sank			
easury Corp. of Victoria; SL Benide)	60bn 10bn	(d) 3.0	100.125R 100.1875R	Jul. 1998 Oct. 1996	0.25R 0.1875R	:	NEdo Europe Fuji Inti. Finance			
ALIAN LIRE bboy Nati Trees. Services(i)	150bn	10.20	101,045	Jul, 1989	1.875	-	Credito Italiano			
WISS FRANCS Bywriache Landesback**	100	5.25	101.875	Jul.1986	standard		Credit Suisse			

Final terms and non-calleble unless stated. The yield spread (over relevant government bond) at leanth is supplied by the lead manager. **APrivate placement. **Linisted. \$Convertible. ‡Hosting rate note. R: fixed re-offer price; fees are shown at the re-offer lovel, at Household Revolving Home Equity Loan Trust. Amortaling issue with eleanup call at 10%. Average life: 3.47 yrs to call and 3.88 yrs without call. Two tranche deat: pricing and split determined later, b) Class A1: 1-mth Libor +23-25bp. Class A2: CP +25-27bp. c) Potag by 22/8/94: conv premium indicated at 5-10%. Calleble, subject to 140% rule, from 87/97 at 103% falling 1%pa to per. d) 2% foul to 20/8/96 then 6-mth Libor +45bp to Dec.97 and 7-mth Libor +45bp final psyment, e) Short 1st coupon. f) Calleble on coupon om 20/7/96 at par,

Already, BNG is one of the largest Dutch borrowers in the international markets. Last year, it raised F15.3bn equiva-lent in the international market, and Fl 10bn in the domestic market. Mr Hekkelman said increasing demand from local

ancing activities. The bank around a third of the offering will host a series of roadshows in Europe and Asia.

Among yesterdsy's new issues, Household Revolving Home Equity Loan Trust issued \$731m of floating-rate securities backed by first and government clients will mean second mortgages. Lead mana further expansion of its finager Merrill Lynch said that

will be placed in Europe. In the D-Mark sector, Argentina launched a DM500m threeyear issue priced to yield 220 basis points over the comparable bund. The deal was largely

Deutsche Bank.

targeted at retail investors, according to lead manager

BENCHMARK GOVERNMENT BONDS	Italy	FT-ACTUARIES FIXED INTEREST INDICES
Pled Day's Week Month Coupon Date Price change Yield ago ago	M NOTIONAL FIALIAN GOVT, BOND (BTP) FUTURES (LIFTE)* Lira 200m 100ms of 100%	Price Indices Tue Dey's Mon Accred xd ad, — Low coupon yield — Meditury coupon yield — — High coupon yield — —
Australia 8,000 08/04 100,3700 -0.600 8,94 8,69 896jum 7,250 04/04 85,8000 -0.050 7,90 7,88 7,49 Canada 6,500 06/04 84,5500 -0.550 8,87 8,59 8,42 Denmark 7,000 12/04 82,5500 -0.100 8,07 8,05 7,32 France BTAN 8,000 05/96 104,0000 -0.130 6,79 6,68 6,11 OAT 5,500 04/04 86,8900 +0.080 7,46 7,40 6,82	Open Sett price Change High Low Est. vol Open int. Sep 106.20 105.95 -0.20 106.95 105.38 50552 60855 Dea 104.90 -0.20 0 100 IN FRALIAN GOVT, BOND (STF) FUTURES OPTIONS (LIFFE) Like/200m 100ths of 100%	1 Up to 5 years (24) 121,38 121.65 1.83 5.17 5 yrs 8.28 8.28 7.10 8.48 8.49 7.32 8.59 8.59 7.55 2 5-15 years (22) 139,70 +0.27 139,33 1.97 8.13 15 yrs 8.49 8.54 7.94 8.64 8.68 8.33 8.93 8.98 8.53 Over 15 years (9) 156.16 +0.35 155.61 2.58 5.25 20 yrs 8.46 8.49 8.16 8.64 8.68 8.44 8.76 8.81 8.64 Irredeemables (6) 176.21 +0.51 175.32 1.54 8.36 [red.† 8.56 8.61 8.51 5 All absolut (61) 137.51 +0.20 137.34 2.08 5.70
Sermany 8,750 05/04 97,5500 ~0.720 7,10 7.02 6.59 (adv 6.500 01/04 90,4000 ~0.300 10.001 9.96 9.05	Strike CALLS PUTS PUTS	Jan 14 Jun 13 Yr. ago Jun 14 Jun 13 Yr. ago
tepen No 118 4.800 05/99 105.3700 -0.090 3.54 3.59 3.21 No 164 4.100 12/03 98.9170 -0.200 4.28 4.99 3.83 4.99 10.500 10.00 10.00 7.10 6.59 504h 10.500 10/03 101.7500 -0.080 10.16 10.02 9.53	Price Sep Dec Sep Dec 10850 2.36 2.74 1.91 3.34 10800 2.10 2.52 2.15 3.52 10850 1.84 2.31 2.39 3.91	6 Up to 6 yeers (2) 185.89 +0.03 185.84 1.01 2.53 Up to 5 yrs 3.75 3.76 2.99 2.81 2.81 2.29 7 Over 5 yeers (11) 173.02 -0.22 173.40 1.02 2.12 Over 5 yrs 3.83 3.82 3.57 3.86 3.64 3.40 8 All attacks (13) 173.48 -0.16 173.80 1.01 2.15
UK GBts 6.000 08/99 90-27 +3/32 8.22 8.13 7.58	Est. vol. total, Celle 1293 Pub. 762. Previous chy's open lot., Cats 19906 Puts 15414	—— 5 year yield —— —— 25 y
8,750 11/04 87-25 +9/32 8.54 8.50 7.88 8.000 10/08 103-13 +13/32 8.58 8.54 6.12, 13 Treesury* 7,250 05/04 101-23 +15/32 7.01 8.94 7.24 8.250 08/23 87-12 +17/32 7.30 7.25 7.44 6.000 04/04 87,1100 -0.100 7.83 7.91 7.15	Spain	9 Debs & Logns (76) 127.67 +0.62 127.00 2.28 5.27 9.64 8.76 8.89 9.60 9.68 9.31 9.56 9.62 9.47 Average gross redemption yields are shown above. Coupon Bends: Low: 0%-7%%; Medium: 9%-10%%; High: 11% and over. † Ret yield, yield Year to date.
index closing. "View York mid-day Yrields; Local market standard. Gross Bretading witholding tax at 12.5 per cent psychia by nonveidence) Cost. US, LK in S2nde, others in decined Source: AMS international SS INTERNEST RATES	Open Sett price Change High Low Est. vol. Open Int.	FT FIXED INTEREST INDICES GILT EDGED ACTIVITY INDICES June 14 June 13 June 10 June 5 June 6 Yr ago Hight Low June 13 June 10 June 6 June 6 June 7
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Lunchtifrino Treesury Bills and Bond Yields One month 3.84 Two year 5.80 Price rate 74 Two stores 4.10 Three year 5.15 Ends rate 100 rate 100 512 Three weeth 4.20 Five year 6.59 Fed Sunds at information 6.00 year 5.13 30-year 7.29	UK MINOTIONAL UK GALT FUTURIES (LIFFE)* 250,000 32nds of 100% Open Sett price Change High Low Est vol Open Int. Jun 100-28 101-23 +0-08 101-28 100-20 1811 13013	Govt. Secs. (UR) 91.95 81.98 82.92 82.78 82.92 85.57 107.04 61.04 Clift Edged bergains 105.0 92.7 115.0 89.9 61.9 Fixed interest 108.82 108.39 110.27 110.55 110.23 111.90 133.87 108.82 5-day average 96.9 94.5 96.9 97.9 100.0 for 1994. Government Securities high since completion: 133.87 (217.04), low 60.53 (5/4/76). Banks 10th Government Securities 157.
Lunchtime Treesury 845 and Bond Yields One Broth One Broth Store 1 Two stores 194 Two stores 195	UK IN NOTIONAL UK GALT FUTURES (LIFFE)* £50,000 \$2nds of 100% Open Sett price Change High Low Est. vol Open Int.	Govt. Secs. (UK) 91.95 81.98 92.92 82.78 82.92 85.57 107.04 61.04 CRit Edged bergelins 105.0 92.7 115.0 89.9 61.9 Fixed Interest 108.62 109.39 110.27 110.65 110.23 111.90 133.87 108.62 5-day everage 96.9 94.5 96.9 97.9 100.0 160 1994. Government Securities high since completion: 133.87 (217/94), low 50.53 (3/176), Basic 100: Government Securities 15/1 28 and Fixed Interest 1928. SE activity indices reheard 1974
Lunchtime Treesury Stills and Bond Yields	UK NOTIONAL UK GILT FUTURES (LIFFE)* 250,000 32nds of 100% Open Sett price Change High Low Est vol Open Int. Jun 100-28 101-23 +0-08 101-28 100-20 1811 13013 Sep 96-24 100-18 +0-09 100-25 99-08 76963 117828	Govt. Secs. (URQ 91.95 81.99 82.92 82.78 82.92 85.57 107.04 61.04 Olit Edged bargains 105.0 92.7 115.0 89.9 61.9 Fixed Interest 108.62 108.39 110.27 110.53 110.23 111.90 139.87 108.82 5-day everage 96.9 94.5 96.9 97.9 100.0 for 1984. Government Securities high since completion: 127.40 (81/36), low 48.18 (31/76). Fixed Interest high since completion: 133.87 (21/1/94), low 50.33 (31/1/9). Basic 100: Government Securities 15/1 28 and Fixed Interest 1928. SE activity inclose released 1974 FT/ISMA INTERNATIONAL BOND SERVICE
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ACT shares fall 33p on warning

Shares in ACT Group, the Birminghambased computing services company, fell by almost 20 per cent yesterday after the group warned that trading this year would be adversely affected by the restructuring of its financial products division and increased product development expenditure.

The shares closed 33p lower at 136p even though ACT, which has reorganised its operations substantially over the past five years, also announced a 39 per cent increase in pre-tax profits. They rose, in line with forecasts, from £20.5m to £28.5m during the year to

Mr Roger Foster, chairman, said trading would be affected, mainly in the UK, by the decision to integrate its

Property Correspondent

April 5.

East Surrey

Bradford Property Trust, the

UK's largest tenanted property

company, announced a 52 per

cent rise in pre-tax profits from

£20.2m to £30.7m for the year to

increased from 170p to 184p,

based on directors' estimates

that the value of Bradford's

property had risen to £261.2m.

ery," said Mr Nigel Denby.

company secretary.
"We are anticipating some

There are signs of recov-

Net assets per share

three financial software operations from April 1 in order to consolidate the worldwide sales operations, maximise the long-term synergy benefits and ensure a clear focus for the group's development effort.

In addition, he said the group was planning to spend 13 per cent of its revenue on product development this year, a £3m planned increase on previous years. A large part of this expenditure would be used to invest in banking software and a new version of the group'a Quasar investment manage-

The pre-tax line was struck on turnover up 64 per cent to £250.6m (£152.9m). Acquisitions, including the BIS Group which was bought for £93.5m in July last year, contributed £73.4m while discontinued non-core operations

rise in prices in the next 12 months, although it is unlikely

Much of the increase in prof-

itability stemmed from a rise

in property dealing sales from

This included a £7.87m

exceptional property dealing

sale from the sale of 9 acres

of land at Martlesham, near

Ipswich, for the construction of

If the figures were adjusted

to eliminate the exceptional

profit and exceptional pension

contribution costs of £1.18m,

the underlying increase in pre-tax profit would be a 19

Total

year

22,75

Total

to be dramatic.

£17.1m to £28.8m.

payment

Aug 15 Aug 6 July 28 Aug 8 Aug 12 July 29 Sept 1 July 21

Aug 26 July 29 July 29 Oct 3

Dividences shown pence per share net except where otherwise stated. †On Increased capital. §USM stock.

1.75† 1.3 0.25 11.3 11.6†

Bradford Property ahead 52% to £31m

Mr John Burgess is to retire

as managing director at the end of April 1995, when he will

Mr Burgess has been manag-

ing director for the last 18

years. He will be succeeded by Mr David Baker and Mr Tim

Watts, who will be joint man-

Mr Baker, aged 54, joined the

company in 1963. He will be

responsible for property deal-

ings. Mr Watts, aged 34 and a

chartered surveyor, will be

responsible for the operational

management of the property

limiting projects

Mr Bruce Pattullo, governor of

the Bank of Scotland, said yes-

terday that the "slow change

in Britain's inflation prone cul-

ture" was limiting the number

of new investment projects

being launched by large UK

companies. They were still

seeking high investment

At the annual meeting in

Edinburgh Mr Pattullo said

"the reluctance by manage-

ment to adjust downwards the returns which they seek on new projects means that the

new jobs which would be cre-

ated by new investment

announcements will be

despite low inflation.

says BoS chief

aging directors.

contribution from acquisitions, increased by 51 per cent to £28.7m (£19.1m). Three discontinued businesses, which were sold generating cash proceeds of £28m, contributed profits of £4.61m (£5.53m).

The disposals marked the end of ACT's hardware related activities and completed its transition to o highly focused financial software products business - the group's financial soft-ware products division now accounts for 72 per cent of group turnover and 96 per cent of trading profits from continu-

The pre-tax result was after net interest costs of £700,000 (£1.4m receipts). Rarnings per share increased by 14

reduced from £26.1m to £8.3m.

Earnings per share rose by 52 per cent, from 9.4p to

A proposed final dividend of

3.6p makes a total for the year

Bradford'e seemingly relentless

ability to turn out large divi-

dend increases has helped

defend its share price from the

turbulence afflicting the rest of

the property sector. So far this

year, its shares have fallen by 8.7 per cent, just over half the

Inflation culture | Emap expected to move

Emap, the media and

exhibitions group, is expected

to go shead next week with a bid for the Trans World Com-

munications commercial radio

group if agreement cannot be

Conversations continued yes-

terday between the two sides

to clarify the situation follow-

ing the announcement that

Emap had an agreement with

Mr Owen Oyston, the Lanca-shire millionaire, to buy his 22

As Emap already bolds 30

per cent of the company this

would give the group control

although it is seeking a recom-

per cent stake at 181p.

By Raymond Snoddy

reached by then.

decline suffered by the rest of port to the share price.

in with Trans World bid

of 6.5p (5.4p).

accounted for £51.4m (£46.5m) of the per cent to 12.15p (10.83p) and a final total.

Operating profits, including a £9.96m total for the year of 5.25p (5p).

. COMMENT

Despite the market's reaction yesterday to the surprise profits warning ACT's management deserves credit for transforming the group in recent years. ACT is now firmly established as one of the 20 largest software vandors in the world and its particular niche - financial soft-ware - is one of the fastest growing market segments. Forecasts for pre-tax profits this year were downgraded by about £7m to £27m because of yester day's warning. But this would still give earnings of 10.5p which puts the shares on a prospective pje of just under 13. Given the longer-term prospects, the

shares were marked down by

another 9p to 221p as the mar-

ket reacted to a disappointingly modest rise in net asset value. Assuming that this

reaches 200p per share this

year, the shares are on a 10 per

cent premium to net asset valoe, which seems precipi-

tously high compared to the

rest of the sector. But

Bradford's strength lies in its

ability to grow its dividend. Assuming another 20 per cent

rise this year, the shares are

yielding 4.3 per cent, which should provide a degree of sup-

mended bid. The deal would

value Trans World at about

The proposition is controver

sial because an Emap takeover of Trans World would breach

the number of radio licences

that a single company could

Trans World operates a total

of eight local radio services in

the UK in Manchester, Cardiff,

In the event that an offer is

made, the Radio Anthority has

agreed that an "ownership

structure" could be put in

place to cover part of Emap's

radio interests to comply with

Leeds and Preston and has a

market value of 255m.

UK growth behind 28% rise at Attwoods

By Peggy Hollinger

Strong UK growth helped Attwoods, the waste management company, to increase third quarter pre-tax profits by 27 per cent to 13.5m, on sales £2.5m lower at £39.2m. The group was still struggling to overcome difficulties in Germany, however, where recession has hit margins.

For the nine months to April 30, pre-tax profits were 43 per cent lower at £12.8m on sales 5 per cent ahead to £267.7m. The profits included o £2.7m exceptional charge for settling



Ken Foreman: 1994 had proved to be difficult

litigation in the US. Mr Ken Foreman, chief exec-utive, said 1994 had proved to be difficult. However, he expected a return to profits growth in 1995.

UK profits improved 39 per cent to £2.9m, on the back of both volume and price increases. Further price increases had been imple-mented in May, which would

help profits in last quarter. The US solid waste business had performed well in spite of a 24 per cent fall in operating profits to £22.3m for the nine months period. The previous year benefited from Rurricane

Andrew. Mr Foreman said cash flow had covered the costs of all dividend payments in the first nine months, Attwoods was expected to maintain the payout this year.

Normalised earnings for the three months were 0.93p

Charter plans to build fourth leg.

Charter, the diversified industrial group, could spend between £200m and £450m on building a fourth leg, according to Mr Jeffrey Herbert, chief executive.

The company was restructured last year, selling its stake in Johnson Matthey and using part of the proceeds to buy back Minorco's 36 per cent atake. The deal left Charter with £156m of cash, and its

The company has refocused on three core businesses of building materials, coal and rail track equipment. Mr Her-bert said a number of proposals were under consideration for the fourth.

The company olso announced pre-tax profits of 550.1m for the year to March 31, against \$289.2m, which was distorted by the sale of the Johnson Matthey stake.

Operating profits from continuing operations fell 4 per cent to £33.8m (£35.2m). Bullding materials contrib-

uted £14.7m, up from £12.6m. Cape, Charter's listed subsidiary, showed a strong increase in overseas sales, and Hargreaves, the quarrying business, benefited from new road contracts and a recovery in the price for aggregates.

The US miners' strike last year cost Chartsr's coal operations shout £3m, and

reduced divisional profit from Rail track equipment con-

tributed \$13m, up from \$12.5m, despite shrinking margins on its US maintenance business. ts US maintenance business. £13.9m. up from £11.8m. boosted by a lag between receiving the proceeds from the JM sale, and buying its

shares from Minorco. The company is proposit final dividend of 15.5p, make mai dividend of 15.5p, making a total for the year of 25.50 (22p). Earnings per share, dis-torted by the restructuring amounted to 35.4p. against

COMMENT While Charter's shape may be

becoming clearer, the key to its near-term performance still depends on how the manage ment chooses to spend its contained. There were few surprises in the 1994 figures, and the conrent year will show marghed growth at the operating level, but a decline in pre-tax promit to about £48m. This would result from falling interest income Earnings will benefit from the share buy-back, but Charter is still trading on a nie of about 16.3. This is high, but the shares carry almost 230p of cash, and whatever happens. the management should eks a better return from an acquisition than a bank vault. In the meantime. investors should continue to held.

Cairn Energy US arm to make \$34m acquisition

By Caroline Southey

Energy. Cairn Edinburgh-based oil and gas explorer, yesterday announced the proposed acquisition by its American subsidiary of oil and gas assets controlled by Harvard University for \$33.8m (£22.5m).

Cairn also said it would cut its stake in Cairn Energy USA from 60.5 per cent to 26.8 per cent through the sale of 3m shares. At a price of \$7.50 per share, the sale would raise

Company II from Aeneas

\$22.5m net. CEUSA's acquisition of Smith Offshore Exploration

Group, controlled by Harvard University, will give it interests in another 25 blocks in the Gulf of Mexico and offshore along the Texas Gulf coast. .

The purchase price, to be satisfied by the issue of 4.5m new CEUSA shares, will be subject to adjustments based on a valuation of the assets before the end of June 1996.

Acheas will also buy 2m of the additional CEUSA shares Cairn is selling, to give it a stake of 38.3 per cent. Cairn will place the other im shares which are traded on Nasdaq. Cairn intends to redirect

funds raised from the sale to

its non-US businesses.

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example, the group led 26 new issues in China and Hong Kong.

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INTERNATIONAL NETWORKING

Courtanie gets 25%

Overseas help volume

East Surr by except

(13)

COMPANY NEWS: UK

Courth les help Volex rise 40% to £10.3m

& CHAMENT

meres & Sarme

Man acquisition

Overseas acquisitions and organic growth helped Volex Group, the restructured electrical interconnection products and cable assemblies company, record a 40 per cent increase in full year pre-tax profits.

The increase from £7.34m to £10.3m in the year to March 31 came on turnover ahead 25 per cent to £149.2m (£118.3m), partly reflecting the impact of three acquisitions made during the previous year in the US and south-east Asia.

Organic growth accounted for about 12 percentage points of the increase. Sales of products manufactured in the UK increased by 9 per cent to £88.6m while those of products manufactured overseas increased by 62 per cent and represented 42 per cent of total group turnover.

Earnings pre share increased by a more modest 9 per cent to 23.6p (21.7p) after a 28 per cent increase in the average number of shares following the £17.5m rights issue in February last year, partly offset by a

of 11.6p lifts the total to 18.1p (17.85p).

Mr Oliver Chapple, chief executive since October, said the results highlighted the successful consolidation and integration of the acquisitions made in the previous three years. As a result Volex was now an international manufacturer and supplier of interconnect products to original equip-ment manufacturers in the computer, medical telecommomications and appliance indus-

Operating profit increased by 41 per cent to £10.4m (£7.41m) and operating profit margin improved from 6.3 per cent to 7 per cent reflecting the greater impact on the group's performance of its power cord and data assembly oparations which were enlarged considerably, partly as a result of

Interest costs rose to £1.03m (£366,000). The group moved from net cash of £5.86m to marginal net debt at the end of the year after capital expenditure of £7m. Investment income rose to £855,000 (£297,000).

Courtaulds chief gets 25% increase

Mr Sipko Huismans, chief executive of Courtaulds, received a 25 per cent pay increase from £284,150 to £355,353 in 1994, according to the chemical company's annual report.

Pre-tax profits last year fell by 35 per cent from £186m to

The figure was affected by exceptional items and a higher interest hill although even at the operating level profits slipped by 16 per cent to

Mr Huismans' pay included a basic £320,000 (£270,000) and a performance-related bonus of \$12,800 this time. Benefits in

kind increased 59 per cent to £22,553 (£14,150).

Under the company's executive share option scheme, Mr Huismans was granted options on 30,000 more shares taking his total to 195,000.

He already owns 20.500

Sir Christopher Hogg, chairman, saw his pay rise by 3.7 per cent, from £110,058 to £114,131. He has no executive share options but already owns 121,000 shares.

Two other Courtaulds directors received packages worth between £215,001 and £220,000. In 1993 the second and third highest paid directors each received between £185,001 and

East Surrey aided by exceptional

supplies group, turned in a 45 per cent increase in pre-tax profit for the year to March 31, from £5.7m to £8.28m.

The outcome included a £1.80m exceptional profit arising from land sales. Turnover was ahead at

£25.5m (£24.4m), with £22.7m (£21.9m) coming from water supplies.
Following a 5 per cent drop

in the first half, metered consumption at East Surrey Water returned to the previous year's level in the second half, and the company "performed well".

€

East Surrey Holdings, the property, water and building "Costs are under control and "Costs are under control and have benefited from lower than average demand during the summer of 1993 and a reduction in water lost through leakage." he said.

Capital and infrastructure spending was increased to 25.49m (15.89m), with expenditure rescheduled to develop treatment works and build pesticide removal plant by Decem-

Earnings per share came out at 56.4p (38.8p). A recom-mended final of 7.95p brings the total dividend to 12.38p (11.46p).

BSS up 51% and sees more growth

By Caroline Southey

BSS Group, the heating, plumbing and process control supplier, ended four years of unchanged dividends after reporting a 51 per cent rise in pre-tax profits from £6.54m to £9.86m for the year to March

A final dividend of 12p (11.5p) is recommended, bringing the total to 17.75p (17.25p) on earnings per share up 44 per cent from 16.7p to 24p. Operating profits rose from

27.84m to £10.8m on increased sales of £258.1m (£243.7m). The strongest contribution came from the industrial and commercial construction division where profits rose by 27 per cent to £12.7m on turnover

of £154.4m (£149.8m). The domestic division, one of the top three distributors to the heating market in the UK, showed a turnround from losses of £712,000 to profits of £44,000 following the integration of three businesses, Hea-tek, Labone and Cadel, into a new company, Zenith Plumb-

Mr Alan Milne, finance director, said the turnround had been achieved now that the "worst of the recession is behind us". However, the upturn in the construction industry remained tentative.

In the commercial sector new building work remained 40 per cent below the peak volumes of 1990. But, as a market leader he predicted that BSS would continue to take market

share, He said the company was very positive about the next few years when we will see good growth in our perfor-

To raise its competitive position and to improve stock availability, the company said it would establish a single national trunking and central warehousing system.

Net borrowings were reduced from £15.4m to £13.2m for gearing at the period end of 21.3 per cent (25.5 per cent). Interest charges fell from £1.3m to £958,600.

Eurocopy continues recovery

Eurocopy, the office equipment distributor, contin-ued its recovery with pre-tax profits up 34 per cent to £1.64m in the half year to

March 31. This followed a jump of 54 per cent to £2.6m for 1992-98. The shares closed 3p higher at

68p yesterday. Mr Cyril Gay, chairman, said that machine sales remained level but there was a small growth in copy volume. Triangle Systems, acquired in January, made a small contri-

Turnever dipped to £13.2m reflecting the disposal of the furniture division. Earnings per share rose from 1.68p to 2.27p and the interim dividend is 0.6p (0.5p).

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Central Railway seeks £6m for start-up

Transport Correspondent

The first railway company to seek private finance to build a modern rail route in mainland Britain for more than 50 years yesterday announced plans to raise between £5m and £6m from private investors.

Central Railway Group plans to create a 180-mile railway line from Leicester to the Channel tunnel entrance to carry trucks on flatbed wagons. The total cost of the project is estimated at £3bn, but £5m to £6m is needed to fund the obtaining of parlia-

mentary approval. The route will consist of disused

the Chilterns and new track in tunnels under London. Tunnels and bridges would have to be widened to take the

Trucks-on trains are common in continental Europe but the smaller loading gauge of the British rail network has meant it has not been possible to transport complete trucks in the past. Central Railway believes the offer will prove more attractive to private investors than to institutions though

Some investors may also be put off, however, by the repeated refinancings needed to raise the £11bn required

Central Railway is making an offer to the public of up to 6m £1 shares in minimum subscription amounts of £500. The offer has not been underwritten

and given the small size of the issue, a Stock Exchange listing will not be Subscriptions are open between June 10 and July 19. The company believes it can capture

15 per cent of international truck traffic, about 1.75m trucks, travelling there will be no dividends for at least between the UK and the Continent by

It plans to build terminals in Leicester, west London and in northern

Railway to sequire ownership of all the track. This would require the agreement of Railtrack, which owns the former British Rail track and signalling and which, in general, plans to retain ownership of the track. Initial talks

have been held. The project has been under prepara-tion for four years and has provoked scepticism among some people in the transport industry.

Central Railway is the brainchild of Mr Andrew Gritten, a former political analyst who developed an interest in rail projects while working as a researcher at the Centre for Policy

Whitecroft in the black with better-than-expected £4.3m

seven years.

By Ian Hamilton Fazey, Northern Correspondent

Whitecroft, the lighting, medical cotton fibre, industrial textiles and building products group, returned to profits and the dividend list in the 12 months to March 31.

A pre-tax outcome of £4.2m compared with losses last time of £41.8m - a result well ahead of analyst's expectations; the shares rose 11p to 120p. The recovery was achieved

despite flat turnover of £124.9m a decline of £23,000. The previous loss included substantial provision for previously overvalued property - a sector which almost brought Whitecroft down in the recession and from which it has since exited. The improvement is better judged by operating profits which quadrupled to nearly £5.95m (£1.96m).

The dividend is restored at 2p, payable from earnings per share of 8.8p compared with

Year-end borrowings were halved to £18m (£36.4m) and gearing fell from 153 per cent Mr Mike Derbyshire, chief

executive, said the performance vindicated the board's decision a year ago not to launch a rights issue to reduce debt, even though some institutional investors would have backed one. This leaves a cash call avail-

able for expansion, although Mr Derbyshire stressed the company had no takeover target in sight - or any other plans that could not be financed from existing resources.

Lighting increased sales by 24m to £49.7m and improved profits to £4.96m (£3.95m).

pons - lifted sales by 11 per cent to £15.6m, with profits of £2.82m (£1.79m).

Building products - mainly fire-resistant doors - and tex-tiles - a principal product is book cloth and fabrics for passports and bankbooks incurred small losses. Mr Derbyshire expects both sectors to

An easing of property mar-kets was behind the improvement in the balance sheet. The £14.4m of written-down property awaiting disposal last year was down to £6.31m by tha year-end.

Since then, the company has sold an option to buy back a retail property in Stockport that it disposed of in 1991. Profit of nearly £6m has reduced current borrowings to about £12m and gearing to 34

New projects help David Lloyd to £3m

By Simon Davies

David Lloyd Leisure, the tennis and health club company, yesterday announced a 53 per cent increase in pre-tax profits from £1.94m to £2.96m for the six months to March 31, fuelled by increased membership and contributions from two new projects.

On a like-for-like basis, the clubs reported a 13 per cent rise, with membership fees up by 3 per cent more than the inflation rate. Turnover from continuing operations rose 26 per cent to £11m (£8.75m), helped by a 9 per cent increase in memberships from existing

clubs to 23,000. The company's newest club, in Glasgow, cost more than 25m to develop and opened in October. It has already sold 3,000 memberships, and was profitable at the interim stage, despite a £150,000 write-off of

pre-opening costs.
In addition, the company saw a six month contribution from its new bowling ceotre in Raynes Park, London. It is on target with its stated policy of introducing two new

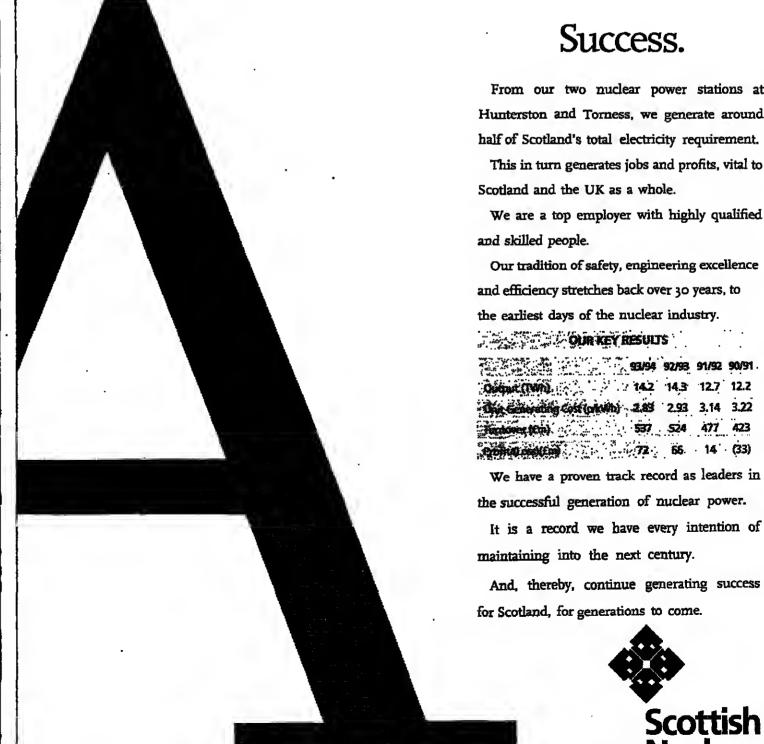
clubs per year. Work has started on developments in Rirmingham, Bristol and Reading, which are due to open in the first half of 1995. Interest payments dropped

£524,000 to £143,000, due to the impact of cash raised from the March 1993 flotation Gearing, however, has risen

from 13 to 14 per cent in the past 12 months, and the company is signing up a £30m banking facility to help fund expansion

Earnings per share rose 15 per cent to 4.73p (4.1p). A first interim dividend of 1.45p is

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Berisford

£5.8m in

red after

provision

Berisford International, the

property group which paid

losses of £5.8m for the half

year to March 31 compared

write-off of Brister Trading.

with profits of £400,000.

provision covering the

Berisford's cocea trading

recouped from this busine

it will come back through the

At the operating level Berisford achieved profits of £3.7m (£1.5m losses). Magnet

profit, but Mr Alan Bowkett,

chief executive, stressed that March was traditionally

contributed £1.4m of the

Magnet's best month as

January sales turned into

associate. If any cash is

profit and loss account

£36m for the Magnet kitchen

and joinery husiness in March, yesterday reported pre-tax

The result was after a £8.7m

former commodities and

By Maggie Urry

COMPANY NEWS: UK

By Peggy Hollinger

Delays on international contracts held back the profits advance at Severn Trent as the group announced a 4 per cent crease to £281.4m at the pretax level for the year to March 31. Sales were 10 per cent higher at £998m.

The results were at the lower end of expectations, and the shares moved up just 1p to close at 527p.

The proposed final dividend is raised by 7.8 per cent to 15.2p, for a similar increase in the total to 22.75p. This compared with forecasts of an 8.5 per cent rise. Earnings were 4 per cent up at 72.7p. Mr Roderick Paul, chief exec-

utive, said Severn had taken action to cut costs following the £4.7m operating losa incurred by the toternational

division last year.

The loss had been largely because of delays on two contracts, in Mexico and New York, the subsequent restructuring charges, and the costs of marketing the international business. Marketing had been cut back, costs reduced and the



Roderick Paul (left) and Vic Cocker, deputy chief executive: action taken to cut costs after £4.7m international loss

division was now operating profitably, he said. Mr Paul was more npbeat about Biffa, the waste management arm. It had lifted operating profits by 18 per cent to £14.2m on sales 16 per cent higher at £120.6m in a difficult market. The return reflected

the "stringent control of operating costs and strength of our sales and marketing initia-tives. Mr Paul said.

Biffa's ability to improve margins in its landfill business had been because of a changing mix of waste, rather than any underlying improvement in prices, he said. However, prices were beginning to show tentative signs of recovery. The division is believed to have incurred losses of film after interest, because of oner-

cus financing arrangements at the time of the acquisition. Profits growth in the core utility business was held back by a 7.8 per cent decline in usage by the top 1,500 indus-trial users. The rate of decline had begun to slow, Mr Paul said. Operating profits to the water and sewerage business

rose by 11 per cent to £324.6m.

on sales 6 per cent ahead to

Severn said costs in the water business had risen by 3.6 per cent. The workforce had been reduced by about 6 per cent, bringing the number of jobs cut in two years to 889. Severn was continuing to examine opportunities for costcutting although it refused to

give details. Capital expenditure was some £25m less than budgeted at £445m (£550m). Net debt rose

by £153.4m to £575.8m, representing 27 per cent of share-

profits. Even so, Mr John Sciater, chairman, remained confident of predicting the payment of a final dividend. Turnover rose to £51.3m (£47.3m) with Magnet contributing £16.9m. Losses per share were 4.4p (0.2p

earnings). Since the half-year end, Mr Bowkett said, Magnet had remained profitable in spite of a repositioning programme to April and May when advertising was stopped Branches now served both

trade and retail customers and ranges had been rationalised. Magnet's workforce had been cut from 2,600 to 2,000, with 400 jobs going in the shops and 130 in the factories. More than £4m had been invested in new kitchen manufacturing equipment. One new outlet has been opened while Berixford has

identified 50 places where it could open branches. The group is also continuing to realise some "old Berisford" assets, including properties with a book value of fifer.

It alms to retain its US agribusinesses, although these are expected to incur loss in the second half, in order to protect its US tax losses which total £634m. A serior executive is being posted to New York to search out an

Pollowing the rights issue, which funded the Magnet purchase, net cash was £53.8m at March 31, which has since risen to £54.7m, and net assets were £214.7m.

Mr Robert Pritzker, has resigned as a non-executive director, although his brother Jay is remaining on the board. The two are large shareholders in the group.

Benfield expands its reinsurance activities

By Richard Lapper

Benfield Group, one of tha UK's most successful reinsurance brokers, will today announce the launch of Benfield Re, a £50m London market reinsurance company.

The venture is the latest of a number of new international reinsurance companies to have een launched in the last 18 months, following rises in rates after heavy lossas between 1988 and 1992.

Institutional investors backing the venture include Montagu Private Equity and Royal Bank Development Capital, the venture capital arm of the Royal Bank of Scotland, which also owns Direct Line, the highly profitable direct-response insurer.

Institutions will invest £12.5m, with Benfield Group supplying £17.5m from existing cash resources. A further £20m of senior debt has been raised from Citibank and Lloyds

Motor Industry Correspondent

Automotive and Financial

Group, one of the leading UK

motor dealer groups and which

is controlled by Mr Octav Bot-

nar, tumbled to a pre-tax loss

of £21.2m last year compared with profits of £3.76m.

Turnover in the 12 months to end-July 1993 fell by 25 per

cent to £330.7m (£438.8m), as

the company was forced to undertake a substantial

restructuring in response to

the loss of the Missan importer/distributor tranchise by its

sister company Nissan UK in

AFG's 180 dealerships, which

all previously sold Nissan

vehicles, have been cut back to

a network of 78 outlets, while

The company has been

Rover and Volkswagen/Audi.

It is currently ranked 11th by

turnover among UK motor

dealer groups, according to the

latest listing of the top 100 car

retailers by Automotive Man-

franchising 70 of the remaining

annoal report.

By Kervin Done,

Benfield Re will specialise in catastrophe reinsurance. underwriting sections of contracts negotiated by about a dozen so-called "lead" underwriters from both Lloyd's and the London company market.

It can accept up to £125m in premiums, although with rate competition beginning to return to the market, inco in its first year, probably starting in January 1995, is likely to be much less.

The new venture will perform a long-term role in the

Benfield strategy. It is not under pressure to write premium to give us a return. stressed Mr Matthew Harding. chairman. He said the new company

would underwrite contracts brokered by a range of brokers but would have "pretty obvious access to Benfield's account'

Like the Benfield brokerage group, the new company will co-operate with Frankona, a German reinsurance company.

AFG tumbles to £21.2m

and Fortress Re, a US against which underwrites on behalf of a group of Japanese compa-

Benfield Group has grown rapidly in the last four rama and made pre-tax profits of \$31.2m in 1893 on turnovet of £38.8m. Net asset value was

Four of its directors figured prominently in a recent finding of 500 of the UK's most wealthy individuals. Mr Harding, whose personal wealth was esti at more than £100m in the air. vey, owns a minority stake in Chelsea Football Club after injecting Eim last year. His aniary rose from £2.2m to £2.4m

last year. One of Benfield's four other directors earned more than £1.3m last year while another exceeded £985,000. With a total staff of 60 and a

wage bill of more than sie wage bill of more than flow including directors, Benfield's per capita pay rates - and rendits - are among the highest in the UK.

Applied Holographics cuts losses

By Chris Tighe

Applied Holographics, the USM-quoted producer of holographic products for security and packaging uses, yesterday reported a pre-tax loss of £276,395 for the year to the end of March.

The result, which compared with losses of £2.26m last time, came on turnover ahead to £5.8m (£4.96m) despite a fall to £700,066 (£1.37m) in hot stamping foil sales following a deal agreed a year ago to sell the business to Whiley Poils. Gross margins were affected by the slower than expected transfer of production to Whi-

Losses per share were 1.3p (losses of 11.2p). The company's deficit now stands at

Floated 10 years ago, the company has never made a full year profit. However, directors were confident about current year prospects against a background of 48 per cent tively in sales in the security and packaging product ranges and the completion of restructuring to focus on the core

Mr David Mahony, chair-nau, said aharebolders, mainly large institutions, had "very patient". "They have understood what the company was trying to do and have seen it through. They see the potential there," he added.

Three investment trusts, new investors in the company, had taken up a placing of 997,620 new ordinary shares, raising £300,000 for investment in production equip-

Operating loesee were £219.014 (£1.39m).

Exco floats with £220m tag

By Simon Davies

Exco, the money broking arm of the collapsed British & Commonwealth group, is proceeding with its flotation, despite the softening demand for new issues and the slowing of activity in the fixed income securities markets.

The company will offer np to £110m of shares, primarily comprising B&C's 40 per cent stake, and the flotation is expected to value the company at about £220m.

The company, which derives half of its profits from money broking and half from fixed income securities trading, is forecasting pre-tax profits growth of at least 21 per cent at the interim stage. This follows what Mr Ron

Sandler, chief executive, described as an "exceptional first quarter", due to increased

interest rates in the US and political uncertainty in Japan. He said this would not be carried through for the year, but 1993 earnings should be

"satisfactory". Exco will be only the second pure money broking and securities company on the stock

market, along with Trio.

Money broking is a competitive and volatile business, and Exco's issue price will reflect this, with a likely p/e ratio of between 9.5 and 10.5. However, the shares should offer a yield of more than 5 per cent, Exco has achieved substan-

tial earnings growth over the past three years, in the face of an increasingly competitive market place.

The trend for money broking commissions has been steadily downwards. In addition, foreign exchange trading - one third of 1993 money broking profits - has seen a loss of merket share to direct trading

between the banks. However, Mr Sandler said the broker market for foreign exchange continued to grow in absolute terms, while the group has benefited from the explosive growth in derivative

The flotation price will be announced on June 29, and dealings are due to commence on July 19. Up to half the company's shares will be offered through a placing and public

Marshalls advances by 64%

By Andrew Taylor, Construction Correspondent

Pre-tax profits of Marshalls, materials group, jumped by 64 per cent from £12.4m to £20.4m during the 12 months to the end of March as it took full advantage of the housing market recovery. Profits also were assisted by

lengthening the depreciation period for large items of equip-ment from 10-15 years to 15-20 years. This added £2m to pretax profits and L8p to earnings, said Marshalls. Even without this adjust-

ment, operating profits increased 58 per cent, from £12.4m to £21.7m. Earnings per share after the adjustment rose from 3.93p to 8.62p. Mr Andrew Marshall, chair-man, said the trading improve-

ment had been greater than

EXCO

Exco is one of the leading international wholesale money and

fixed income securities brokers, operating in 13 financial centres

worldwide. Exco provides customers with an around-the-clock

service in all three major financial time zones and in each

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tained in such prospectus

increase its final dividend to 3p making a total for the year of 4.25p (4p). The group hoped to year provided trading contin-

ued to improve. The recovery in the housing market prompted a 12 per cent rise in UK turnover of stone and concrete products, mainly for paving and flooring, to £143m (£127.7m). Operating profits, boosted by higher volume sales and increased emphasis on higher margin products rose by 44 per cent to £17.9m (£12.4m) including £1.6m from reduced deprecia-

US losses for stone and concrete declined from £800,000 to 2600,000. The US had generated a profit in the first two months of the current financial year, said Mr Marshall. Operating profits from clay

expected enabling the group to products in the UK rose

The engineering division which supplies equipment for drilling rock, also increased operating profit, from \$289,000

stood at £25.4m (£21.3m) equivalent to gearing of 20.7 per cent (18.2 per cent). This, however, included £54m of cumulative convertible preference shares. redeemable in 2004 as equity.

sharply from £255,000 to £3.1m against a turnover increase of just 14 per cent to £22.5m

to £1.29m Net debt at the end of March

NEWS DIGEST Wellman sale and leaseback of 11 Scot-tish supermarkets, announced on May 3, had not been comfalls £1.07m The anticipated £1.95m sur-

Severely reduced margins in a depressed market coupled with reorganisation costs resulted in Wellman, the specialist engineer, reporting pre-tax losses of \$1.07m for the year to March 31, against profits of £681,000.

into red

Mr Geoffrey Dey, chairman, said that a slow improvemen in trading had come too late to affect the result, but a marked upturn in order intake should have a significant impact on trading to the present year. Reflecting this, the final divi-dend is held at 0.6p for an unchanged total of 0.9p. Losses

Turnovar wae £22.3m (£23.7m). There was a trading loss of £483,000, against profits of £1.15m, and reorganisation costs of £445,000 (£351,000).

per share were 3.6p (earnings

Amberley

Amberley Group, the USMquoted building services concern, has acquired Metacol, a supplier of liquid colourants for plastic processors, for up to

In order to fund the acquisition an underwritten rights issue is proposed to raise 24.38m cash for the vendors and £1.94m to provide £1.1m for repaying Metacol's debts with the remainder for expenses and working capital.

The issue, of 13.5m new ordinary shares, is on a 1-for-2 basis at 47p.

Following a turnround at the

interim etage, the group announced pre-tax profits of £403,000 for the year to March 31 against losses of £91,000. Turnover rose by 40 per cent to 25.86m (£3.82m). Earnings per share worked through at 1.94p (1.71p losses) and the pro-posed dividend is held at 1p.

Shoprite

Shares in Shoprite fell 27p to 51p yesterday after the discount food retailer said the benefit of a one-off surplus of £315,000 last time on sale of goodwill is stripped ont the underlying gain was 76 per

plus on disposal, therefore, Turnover improved to £14.4m which was conditionally reported in the company's (£13.1m). Earnings per share edged ahead from 0.75p to 0.78p and the interim dividend is interim results announced on May 26, is now £558,000. lifted from 0.25p to 0.275p. Accordingly, pre-tax profits for the six months to May 1 fell

Symonds Eng

against £115,000.

interim was 0.15p.

were 2.9p (4.6p).

After missing tha last interim and final dividends.

the precision engineer declared

final of 0.25p - last year's

Mr Rod Ackrill, chairman,

said the result was partly due to a return to profitable trad-

ing in the second half and to

restructuring. The exceptional

item relates to a recently com-

pleted redundancy programme.

increase from \$4.38m to £4.43m

and despite the loss there was

a net cash inflow from operat-ing activities. Losses per share

River Plate General

River Plate and General investment Trust reported net asset

value of 156.2p per capital share at April 30. The figure compared with values of 166.7p

at the October year end and

Grose revenue for the six

months was ahead at £3.41m

(£3.15m); net revenue was

£2.39m (£2.16m) leaving earn-

ings per income share up from

4.01p to 4.44p. The interim divi-

dend is held at 3p.

F&C Smaller

124.7p 12 months earlier.

Turnover showed a small

of rising to \$2.74m. Earnings Symonds Engineering cut its per share amounted to 1.45p (1.91p) instead of 3.05p. pre-tax loss from £456,000 to £285,000 in the year to end-March after providing for exceptional items of £200,000,

Sheriff

Sheriff Holdings, the USM-quoted plant hire group, reported pre-tax profits for the six months to March 31 more than doubled at \$1.2m, against £465,000. Mr Richard Dunn, chairman,

from £1.69m to £1.44m instead

said: "The strong performance was a satisfying mix of organic growth and initial contributions from two acquisitions." The shares advanced 140 to

Turnover was £8.68m (£5.72m), including £1.86m from acquisitions, for operating profits of £1.25m (£534,000), including £122,000 from acquisitions. Earnings per share were 7.4p (3.5p) and the interim dividend is 1.75p (1.25p).

Slimma

In its first figures since coming to the market in February, Slimma, the women's wear company, reported a 11 per cent increase in pre-tax profits from £482,000 to £535,000 for the six months to April 1. Turnover rose 20 per cent to

28.73m, against £7.26m. Earnings per share were 4.1p (3.9p) and an interim dividend of 1.3p is declared.

Hawtin

Foreign & Colonial Smaller Companies achieved an Hawtin, the leisure, textiles, increase in net assets per share building products and property group, reported profits of \$224,000 before tax for the six of 29 per cent to 175.8p during the year to April 80. months to March 31.

Available revenue was £2.38m (£1.76m) for earnings per The ontcome, aided by a reduced net interest charge of share of 2.56p (1.98p). £260,000 (£370,000), represented The dividend is increased a rise of some 5 per cent on the from 1.84p to 1.97p, with a procomparable £783,000. But if the posed final of 1.27p.



Octav Botnar: dealerships cut

back from 180 to 78 outlets 78 dealerships, but the costs of

the restructuring had been the company's workforce has been reduced from 3,153 to 2,120, according to the latest We have only been able to take new franchises in markets where a manufacturer has previously had a very weak dealer turned into a multi-franchise or no dealer at all, and subdealer group operating for seving Citroen, Peugeot, Fist, and money will be required before the dealerships can Honda, Renzult, Vauxball, trade profitably."

Five of the former seven man board of AFG resigned in the 14 months to October last

agement magazine.

AFG said to its annual report been appointed including Mr Botnar and his secretary, Ms that it had succeeded in re-Dawn Lawson.

Three new directors have

The £21.2m pre-tax loss was

loss after restructuring reduced to a net loss of 22.6m thanks to a tax credit of £11.7m, described as group relief receivable"

Current assets in the balance sheet include some film of corporation tax said to be recoverable as a group relief receivable from fellow subsid-

lary undertakings". The heavy loss in the AFG motor dealer operations was offset by a pre-tax profit of £27.8m achieved by the finance division. Automotive Financial Services, and a pre-tax profit of 64.6m from the group's prop-

erty division. As part of the retrenchment being undertaken by AFGH, the perent company, the volume of new business being taken on by the finance subsidiary is being reduced, with a concentration on business introduced by AFG dealers rather than the provision of instalment credit to consumers and businesses

in other sectors. As part of the group restructuring, AFGH has also sold tract hire subsidiary, and has ceased trading in Automotive and Industrial Machinery, its fork lift truck distribution sub-

Partslink, the group's automotive parts import and distri-bution subsidiary, suffered a trading loss last year and operations have now been concentrated on wholesale distri-

Stockbroking lifts Oceana

Oceana Consolidated, the etockbroking, corporate finance and investment management group, reported record turnover and profits in the 12 months to end-March, reflecting another strong per-formance by Charles Stanley,

the retail stockbroker. On turnover ahead 30 per cent to £14.7m, pre-tax profits jumped from £837,000 to £3m. Directors said that fixed costs remained under tight control and fee income improved to £2.2m (£1.6m).

Net asset value at year end was 64.5p (41.14p) per share.... A proposed final dividend of 2p brings the total for the year to 2.5p (1.5p), wall covered by earnings of 25.88p (10.1p).

INCREASED AND FINAL OFFER BY ENTERPRISE OIL plc ("ENTERPRISE") TO ACQUIRE ALL THE ORDINARY SHARES AND AMERICAN DEPOSITARY SHARES OF. LASMO pic ("LASMO")

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FINANCIAL TIMES

11:11

Aluminium takes up LME pace-making

The aluminium market picked up the baton at the London Metal Exchange yesterday as copper's surge faltered in the face of strong resistance.

The white metal chalked up its minth rise in e row, with the three months position shrug-ging off news of e further rise in LME stocks, to reach a peak of \$1,447 a tonne, the highest level for three years.

It was trimmed back by profit-taking to \$1,442.25 at the close, up \$15 on the day, and drifted further in after hours trading to \$1,436. But dealers were still looking for more gains and some suggested that a breach of resistance at \$1,450 could herald an assault on the \$1,500 level.

The fundamentals are recovering with stockpiles gradually decreasing, while lemand for cars and construction is also showing signs of picking up," Mr Yasuo Tanaka, senior account executive of the LME dealing team at Rudolf Wolff in Tokyo, told the Reu-

Mr David Coutts, executive director of Australia's Aluminium Development Council, was more cautious. He said in Sydney that the recent voluntary production cuts made in the world's six major producing states to counteract over-supply had been factored into the current price. "The price

fied until now but unless something else happens the market could react again with a negative price impact," he warned. In early trading the copper market had looked set to build substantially on Monday's

break above \$2,400 a tonne as the three months price quickly

(As at Monday's close) tonnes to 2,861,525 to 31,060 to 367,480 to 369,480 to 131,910 -975 to 1,192,075 +185 to 29,746

climbed to \$2,440. But that appeared to be the signal for a long-awaited bout of profit-tak-ing, and by the close the price was back at \$2,409.50, down \$2. The reversal continued after hours, taking the market down another \$20.

But traders were not disheartened. "Copper was due for a bit of a shake-out," one told Reuters. The market will be healthier for this." At the London Commodity

Exchange coffee futures con-tinued their surge towards last month's five year highs as deepening supply fears encouraged buyers and kept sellers away. The September position closed at \$2,396 a tonne, adding \$108 to Monday's \$140 rise, after touching \$2,412 at one

Opec ministers see no need to discuss output

By Robert Corzine in Vienna

Oil ministers from the Organisation of Petroleum Exporting Countries meet in Vienna today for talks that promise to be at least relaxed, if not amicable.

Delegates, including Mr Hisham Nazer, the Saudi oil minister, said last night that there was no need to discuss output

quotas or prices A sharp rise in oil prices

over the past three months has taken much pressure off the ministers, who are not expected to tamper with last March'a decision to set the Opec production celling at 24.52m barrels day for the remainder of

Iran has recently signalled its desire to see Opec add to the momentum of recent price increases, which have taken the Benchmark Brent Blend

from a low of about \$13 a bar-

rel in February to its present level of \$16.50. But analysis suggest that Opec could send a strong signal to the markets by simply cancelling its next informal meeting in Septem-

Saudi Arabia, the cartel's higgest producer, says it sees no need for another meeting before November, when the organisation must hold a formal conference Traders say a cancellation

would be interpreted as confirmation that Opec was determined to stick to the present ceiling even if international oil demand rose further as a result of more robust economic activity in the industrialised countries

Opec has recently revised upwards its estimate of 1994 demand for its oil, to an average of 24.8m barrels a day, up 40,000 b/d from last month's

Opec output yesterdey expressed satisfaction that member states were generally adhering to their quotas. The report said estimates from selective secondary sources indicated production for May at 24.57m berrels a day. That is about 250,000 barrels higher

The committee that oversees

of 24.65m. The main issue on Opec's agenda is the election of a new

than the revised April average

secretary general to replace Indonesia

Dr Subroto yesterday said that he would be prepared to extend his term if, an exema-likely, delegates failed to reach unanimous agreement on a replacement. But he said he would not be interested in serving for just a few many months, preferring instead to extend his term for at least

Latin America's vegetable export drive runs into trouble

Excessive use of pesticides is generating new problems and threatening markets, writes John Madeley

7 hen a shiploed of vegetables from the Dominican Republic was turned away by US port officials last October, shock waves were felt throughout Latin America. The vegetables - including tomatoes, peppers, broccoli, onions, celery and peas - were considered to have too high a level of pesticide

The last ten years have shown a huge growth in the export of vegetables from Latin America to the US. With pressing debt problems, Latin American countries have looked to their fields as a source of foreign earnings that could get

them off the debt book. Encouraged to grow vegeta-bles and fruit for export, farmers regarded pesticides as the way to guarantee that their produce arrived in top-notch condition. But agriculturists in Latin America are now warning that the concentration on export crops has led to the

neglect of basic foods, such as demics of new viruses or ble crops in these countries beans, for local people and that strains of viruses, such as bean has resulted in the appearance heavy pesticide applications are leading to the appearance of new pests and viruses, cansing serious damage to crops.

Chile was the first Latin

American country to embrace export crops. In 1980 it exported about the same amount of beans as it grew for local consumption. By the early 1990s the production of beans for export, such as black, white and pinto varieties, was running at 55,000 tonnes a year, compared with 20,000 tonnes grown for local con-

The country's expansion of fruit and other export crops brought about an increase in pests that acted as carriers of viruses, says Mr Francisco Morales, head of the virology unit at the Colombia-based International Centre for Tropical Agriculture. "As a result, bean production in Chile is increasingly affected by epi-

yellow mosaic virus, and alfalfa mosaic virus."

In 1970 Brazil grew soyabeans on 1.4m hectares of land: by 1988 the crop covered 10.5m ha. "The boom in soyabean cultivation coincided with one of the worst virus epidemics that Latin American agriculture has ever suffered - golden mosaic disease, caused by a virus transmitted by the whitefly," says Mr Morales. The hig increase in the whi-tefly pest "is directly related to

the abundance of soyabean", he points out. The pest has seriously affected traditional bean-growing areas. Consumption of beans by Brazilians is today little more than half its 1981 average of 28kg per per-

Mexico and other Central American countries have sharply increased their exports of vegetables, especially tomatoes. "The expansion of vegeta-

of new virus problems," says Mr Morales. In some tomatogrowing areas, pests have increased beyond control, causing major epidemics.

The farmers grow export crops but are often not sure how to do it," he points out. When the market price is high for the export crops some are earning more money than from beans alone. But the international market demands fruit and vegetables with no blemishes and farmers use incredible amounts of pesticide, which eats into their prof-

ost of these pesticides are not approved for use on the crops the farmers are growing, Mr Morales alleges, and they often do not have the knowledge to apply them correctly. They apply them at the

up to the harvest and frequently over-use them. "Depen-dence on chemical pesticides has become almost total." he points out.

Some ten years ago, about 90 per cent of the money that Latin American countries spent on agriculture research went on food crops, especially beans, which contribute about 30 per cent of the protein con-sumed by the continent's 200m low income families.

There has now been a total change: only about 20 per cent is devoted to food crops while goes on export crops. In some countries, research into food crops has been completely

"Governments are more interested in how they use land for export crops, and scientists are being switched to work on these crops," says Pas-tor Corrales, a plant patholo-

Beens are the chief victim of wrong times, including right this trend. Land that once

bles for export. As a result, farmers are often growing just enough beans for themselves. but none for the market. In towns and cities beans are often scarce

Every Latin American country apart from Argentina, Chile and Ecuador has become a met importer of beans, with some countries importing them from China.

With the US likely to tighten still further its regulations on pesticide residues in food crops, Latin American farmers will either have to apply less pesticide to their export crops or return to growing food

And while US port officials can block the produce, they cannot stop the winds. Mr Morales points out that tomato viruses, which have recently emerged in the Caribbean, are now being seen in Florida .-"probably blown there by the

MG to develop Quebec gold deposit

By Bernard Simon in Toronto

Mining, international mining arm of Germany's Metallgesellschaft, has decided to develop the Troilus gold deposit in

COMMODITIES PRICES

647.70 553.85 570.05

58-61

364.95 376.75

\$ price

394.50-397.00

89-92

3 months

Gold Coins

1 year

north-west Quebec. The mine, with a capital cost

1996, at the earliest. The development is subject to various regulatory permits and financing. Metall has also asked for government help in providing infrastructure.

Output is expected to average 138,000 troy ounces of gold of about C\$150m, will start pro- a year over 14 years at a cash

duction in the third quarter of cost of US\$222 an ounce. Mineable reserves are estimated at 49.2m tonnes of gold-bearing ore with a grade of 1.34 grams a tonne, as well as 1.29 grams a

> Metall said that an environmental review of the project was "well advanced".

tonne of silver and 0.11 per

Australian winter crop plantings expected to rise by 6%

By Nikki Talt in Sydney

Despite the recent lack of rain, Australian farmers are expected to increase total winter crop planting by about 6 per cent, to 16.7m hectares. However, rising wool prices and the reduction in sheep numbers in

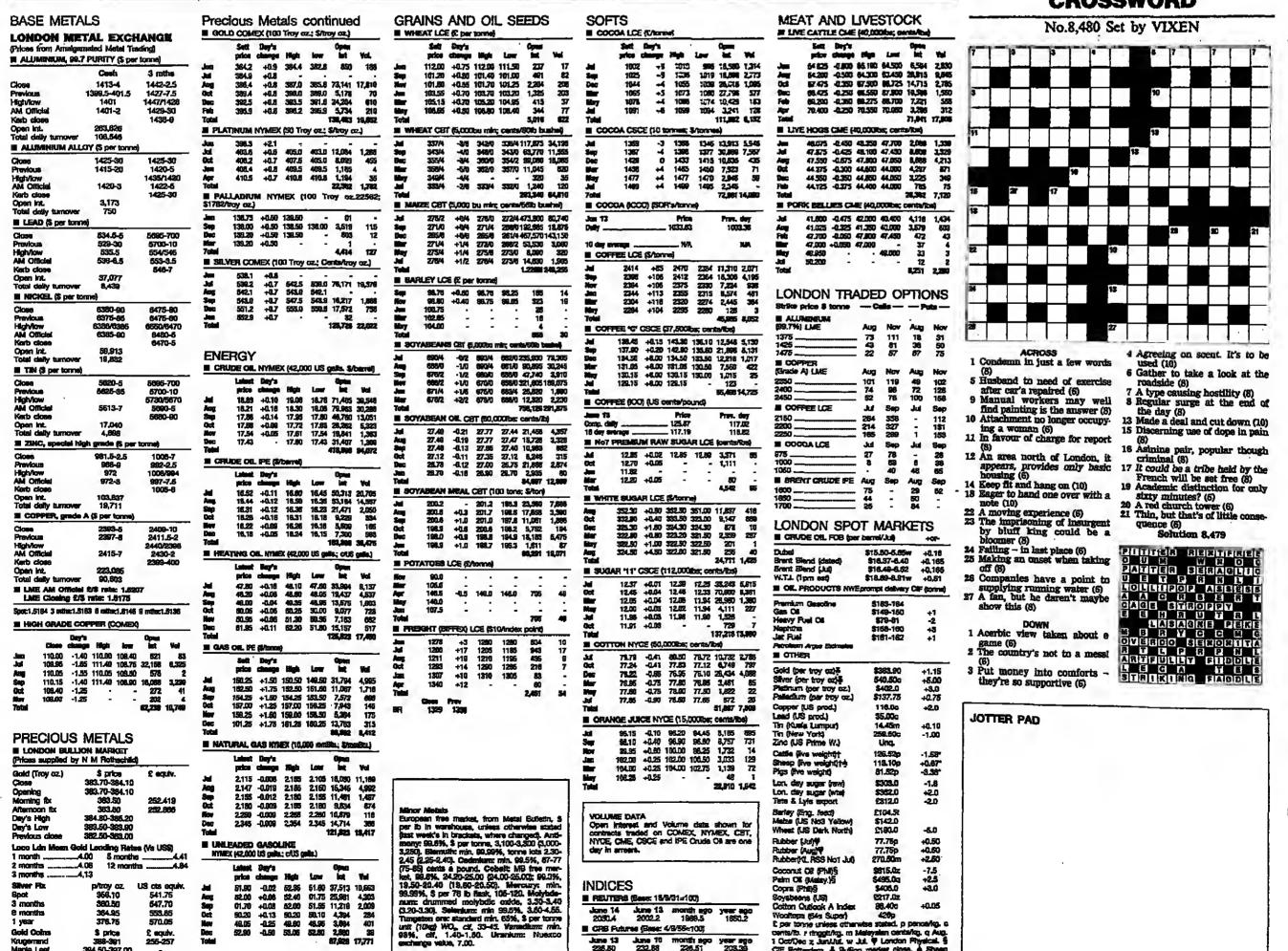
recent years are likely to slow

the switch into cropping and the expansion of grain-growing areas after this season.

The forecast was made by the government-owned Australian Bureau of Agriculture and Resource Economics yesterday. It also reported that there has been a late start to the current cropping season but said that recent rains had improved the chickpeas canola and hipins. situation in Western Australia. Abare said it expected the South Australia and Victoria. total wheat area to increase to It noted that there was an conabout 10.2m ha, compared with 9.5m last season. This assumes tinuing problem in Queensland that the area sown to wheat in - parts of which are suffering from severe drought - and Queensland increases by over 70 per cent to about 1m hectparts of New South Wales. Crops most at risk from the ares. The bureau admitted, late start, it suggested, were however, that "good follow-up

this forecast can be realised". It added thet, with the 1993-94 cotton harvest almost completed, it expected lint production to fall by some 17 per cent to 311,000 tennes because of "dry conditions and irrigation water shortages during the growing season.

CROSSWORD



REUTERS (See: 18/9/31=100)

CPB Futures (Base: 4/8/55=100)

June 14 June 13 month ago year ago 2030.4 2002.2 1969.5 1650.2

Wookops (64s Super) E per tonne unless othe

cents/to. r ringgt/ing. m Meleyalan cents/liq. q Aug. 1 Oct/lec z Junitut. w Jul. V London Physical. 3 CIF Rotardam. & Relian metest close. & Sheep (Live weight prices). " Change on Week, provisions

BP share peak challenge

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CROSSWORD

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Strong close follows latest US consumer data

By Terry Byland, UK Stock Market Editor

The London market's nervousness ahead of the announcement of the US consumer price statistics proved unfounded yesterday and share prices ended an uncertain session in good form. Supported by a turnround in bond prices, a premium on stock index futures, and a strong start on Wall Street, the FT-SE 100 Index ended the day 23.3 points up at 3,039.6.

Equities opened slowly and were held back at first by weakness in UK glits as European bond markets backed away ahead of the US consumer price data. The FT-SE 100 fell nearly 12 points in early trade but once again the Footsie 3,000 area brought in support. More signifi-cantly, the UK stock market separated itself from gilt-edged stocks, which were at that stage nearly half a point lower at the longer end of

the range. Shares rallied quite quickly, and the Footsie loss was translated into a gain of 17 points, before the market settled back to await the US data which came in early afternoon. The London stock market was slow to respond to the improvement in sentiment in the US but extended its gains when transatlantic buyers appeared for British Petroleum.

The FT-SE Mid 250 Index moved in direct contrast to the blue chip Index. falling 17.1 to 3.578.7 as a series of individually-structured option contracts in second line shares was believed to have expired

yesterday afternoon. Non-Footsie business made up

Accou	nt Dealing	Dates
"First Dealings: Jun 0	Jun 20	34 4
Option Decimation	Jkm 50	Jel 14
Last Dealings: Jun 17	Jul 1	Jul 16
Accept Days Jun 27	Jul 11	JJ 25
"New time deals	de mail rays	place from to

Seag total of 709.6m shares, Routty volume increased sharply from the previous session when a mere 483.7m shares traded through the Seeq electronic network and were worth only £948.5m at retail level. Daily retail volume has rarely dipped below 21bn ovber the past twelve months.

The focus on oil shares reflected market belief that Opec may switch around 58 per cent of yesterday's to a more aggressive pricing policy

and also that the US ban on exports of oil from Alaska could be lifted soon. However, neither factor influenced Lasmo shares which refused to match the new offer from Enterprise Oil. US investment funds. which hold large stakes in Lasmo, showed no sign of selling stock yesterday after the Lasmo board rejected the latest terms from

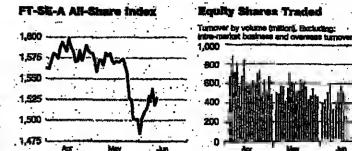
Enterprise.
Traders said that the market had featured substantial technical switching in both bonds and equities, with perhaps as many as six equity trading programmes marching across the trading screens. Several very large overnight deals. when shares sold at the previous market close are rebought the fol-lowing morning, were believed to be tax-related operations.

The renewed volatility in UK

lar in the government bond sector, brought new reports of heavy losses among marketmaking firms, which have to stake their capital on the view taken of the market outlook.

The market was bracing itself for the announcement today of important UK economic data. Inves are likely to focus on the average earnings statistics for April. The previous month showed an annualised gain of 4 per cent in average earnings, significantly larger than the markets anticipated.

The latest retail price index, the principal measure of domestic infla-tion will be published at the market opening; and the trading session will close just before Mr Kenneth Clarke, the UK chancellor of the exchequer, delivers an important policy speech in the City of London.



1 Oil, integrated

Mineral Extraction

Printing, Paper & Pokg ...



FT Ordinary Index FT-SE-A Non Fins p/e FT-SE 100 Fut Jun 3039.0 10 yr Gilt yleid Long gilt/equity yki ratio:

Equity Shares Traded

800

Oil Exploration & Prod., Building & Const .

BP share

British Petroleum came within a whisker of breaching its all-time peak of 411%p, eventu-ally closing the session a net 15% higher at 406%p. Turnover in BP was a heavy 14m shares. Driving the stock price ahead was soma determined and sizeable buying interest from both sides of the Atlantic. with US institutions said to

the close of business. Daalars said that a US Energy Department Paper on the export of Alaskan oil is scheduled to go to the White House for approval by President Clinton. An approval of the export of Alaskan oil by the US authorities is thought by oil anlaysts to be worth in excess of \$100m a year to BP's bottom line earnings. The US buying interest also focused on Shell Transport, which moved

the former surprised the mar-

offer for Lesmo, which it said was worth 185p a share, or a 12 per cent premium on Lasmo's closing price on Monday. Enterprise had until the end of the week to launch a new bid. The market's immediate

ket by unleashing an increased

response was to lift the Lasmo share price to 153p. However, Lasmo ahares gradually declined, eventually closing a net 4 lower at 143%p, after turnover of 14m, with many specialists adopting the view that the Enterprise hid is likely to fail. Enterprise shares fell to 389p before closing a net 9 lower at 390p, after heavy turn-

over of 7.5m.
"The market is clearly indic-

continued, the contract fell

to a low of 2.992 in the first

European bonds helped to

steady the contract and the

return of mid-morning buyers saw it regain some strength. This gained momentum with

the covering of short positions

The US data appeared to

fears on inflation, encouraging

dampen the market's recent

further buying, but it was the

a squeeze in June. At the

day's peak it touched 3,044

before coming off the top to end at 3,039, at perity with

strong response to the floures

on Wall Street which generated

and was at a premium to cash

by independent traders.

The recovery in UK gilts and

hour of business.

ating the bid will not be suc-cessful," said one analyst. He said that with Enterprise at its present quotation, Lasmo should be trading at 160p-plus, rather than the current price of around 148p; the feeling is the Americans, who speak for over 20 per cent and paid upwards of these prices, won't sell, nor will Philips & Drew

Fund Management, which speaks for 15 per cent. Mr John Toalster, oil analyst at Strauss Turnbull, was even more forthright; "Enterprise is overpaying for Lasmo at the expense of its own shareholders," he said.

Institutions now have until July 1 to make up their minds

TRADING VOLUME

E Major Stocks Yesterday

ABILA GRULPT Abbley National? Abbar Flater Allaci-Lyons? Anglia Valeer Arge Grosp? Arge Grosp? Arge Grosp? Arge Grosp? Anacc, Brt., Ports BAA? BAT Inds.? BET

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8,200 2,200 1,000 2,000 3,200 1,500 2,100 1,500 1,200 1,200 1,200 15,000 4,500 6,500 1,500

new and final bid. British Gas shares eased a

fraction to 288%p ahead of publication this morning of the Ofgas document on rates of return for British Gas's transportation and storage businesses, which is expected to approve the Monopolies and Merger Commission recom-

whether to accept Enterprise's

London Electricity, 3 off at 587p, will be the first of the recs to announce full-year numbers and will set the standard for dividend increases analysts said. "A dividend increase of 15 per cent is expec-ted; anything less will get the thumbs down; much more will be seen as likely to upset the regulator, ahead of the distribution review expected in

early August," said an analyst. Unigate jumped 22 to 334p, after brokers upgraded profit expectations following tha release of better than expected

Smith New court raised its current year estimate by £4m to £118m, while BZW upgraded its figure from £116.5m to £120m. However, Mr Carl Short at Strauss Turnbull who increased his forecast by a modest £1.5m to £118m sounded a note of caution when he said: "It is important to point out that benefits of acquisition will have less of an impact on the current year's

Profit-taking hit ICI, which dropped 17 at one point before closing down 10 to 789p. The fall was despite news that the group is considering spending with Glazo up 18% to 563p,

LIFFE EQUITY OPTIONS

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figures,

NEW HIGHS AND LOWS FOR 1994

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(1) STIME (4), DIVERSISSED MELLS OF WOMEN
Whitecost, SUBSTRING & ELECT EQUIP (1)
MIRRIADIR, BROGRESSEMING (1) Kobe Stool,
EXTRACTIVE BRIDE (8) HOUSEHOLD GOODS
(1) Colorine & Little, INVIESTMENT TRUSTES (1)
EVILESTMENT COMPANIES (1) OIL.
EVILLEMATICS A FROD (1) Caire, Oil.
INTEGRATED (1) MODE, SUPPOYT SERVE (1)
HANNER MINING, TROTTLES & AFPANIES, (4)
DIMINING, TROTTLES & AFPANIES, (4)
DIMINING LOWER (191).

NEXY LOWS (181). GOLTS (II) BANCS (II) ABN AMES, NIEL AU BREWIFEES By Fosters, Creane King, Veux, BUALDENG & CHEFFIN (TS) BLDG MACTLE & MICHTE (7) Descott Wins., Mariny, Mayer Int., Mayman-Torks, Rubercki, Sheffeld Insulation Wolseley, CHEMICALS (1) Scape.

Namen - Torks, Ruberck, Shellard Insulations, Whiteley, Att-Bacals (1) Scape, Obstriction, Children, Inchesos, Time Prode, Deversified House, Inchesos, Time Prode, Deversified House, Specific United, Pacific During, Power During, Uniters, Klectings & Elect Book 40 Business Tech., Date, Greenby, Voles, Belgies, Morgen Cruelbe Tyler Cv. Pril, VSEL Cone, Weis, ENG, Welledles (1) Ingless. Eltractive Heiß ps Food Mange 40 August Brown, Librores, Gas Distribution (1) Calor, HEALTH CARE (1) Emdormed, Carbury Brown, Librores, Gas Distribution (1) Calor, HEALTH CARE (1) Emdormed. HOUSEHOLD GOODS 62 Recibit & Coloren, Do Stigo Cu. Bond, Bristanica (4) Investment Traint's (c) Legistral & Hottels (1) Mod, Life Assettanica (4) Mange (4) Mange (5) Legistral & Hottels (7) Decon, Merichant Balmes (6) Oil, Burledraton & Phoo (1) Herdy, Oil, Britsoffattel (1) Boson, Others Healthcale, (4) Germons, Sweeco, Britanos Bros., Union, Others Service & Paccica (5) Ad., Junio Porter, Kymerons, Physu, Recola, &CA S, Proprietty (10) Herman, 447, Streets, Westers, 167, Streets, Westers, 167, Streets, Westers, 167, Streets, 170, Landon, Mr., Streets, 170, Landon, 171, Landon

Publicia, county Transport Dov., AMERICA
CARADIANS (I) BOUTH ARRICANS (I). £200m on a chemicals plant in Pakistan, a move which analysts considered promising. Pharmaceutical stocks recovered their losses from Monday,

220 13% 20% 20% 8 14% 17% 240 5 11% 15% 20 20% 20% 20% 500 25% 45% 53% 20 22 41 550 70 24 32 53 62% 70 354 10% 25 - 12% 20% - 384 5% 13 - 22% 30% -

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200 8 1714 2115 13 1916 2216

TEXTRES & APPAREL 14 Horaval

MEJNECATIONS (1) Security Serv

Wellcome rising 5 to 594p. Tha main increases came early afternoon after the US markets opened strongly, and the relative performance of Smith-Kline Beecham units, predominantly US-owned and up 12 to 370p, compared to the ordinary 'A' shares, up only 9 to 406p, suggested the main interest

Zeneca adding 24 to 708, and

+1.9

came from America. However, UK analysts were equally positive; Robin Gilbert at Panmure Gordon, which recently turned positive on Glazo, said the bearish stories surrounding the stock had faded away and the dividend prospects were improved as the likelihood of buying US drugs distributor McKesson

The NatWest Securities buy recommedation on NatWest helped the shares move up 5 to 464p, but worries that the stalled acquisition of Cheltenham & Gloucester Building Society may yet encounter further problems, saw Lloyds dip 10 to

Merchant banks were hit by renewed worries of bid losses in international bonds and gilts with SG Warburg closing a further 8 off at 721p.

Mirror Group, up 3 at 171p, clambered back up above the psychologically significant 170p mark, the price at which the joint administrator placed its 54.8 per cent share of the stock last September. The rise was on the back of ABC figures for May, which showed that the Independent had boosted its circulation from April.

News that Michael Heseltine,

President of the Board of Trade, has referred the Daily Mail's bid for T. Bailey Forman. publisher of the Nottingham Evening Post, to the Monopo-lies and Mergers Commission had little effect on shares; Daily Mail & General Trust lost 5 to 1175p. Ms Lorna Til-bian at Warburg said that, with an estimated value for the shares being around the £12 mark, the stock would be regarded as 'dead money' until

Discount supermarket group Shoprite suffered a further fall, sliding 27 to 51p, on news that the sale and leaseback of 11 Scottish supermarkets had fallen through. With the main supermarket chains still maintaining strong pressure on prices and improving their targeting of specific products for competition, analysts felt Sho-prite had to complete the deal within six months if the group was to maintain any credibil

Incheape relinquished 6 to 467p, on reports that it was about to mount a bid for Gestetner, in which it has a 24.6 per cent stake. The latter rose 3 to 168p.

Suggestions that the impact of the detergent war on Unilever's balance sheet will not be as great as originally feared, saw the shares improve 10 to 1010p, after trade of 1m.

Steve Thompson. Clare Gascolgne Joel Kibezo.

MARKET REPORTERS:

Other statistics, Page 21

peak challenge

have been hig buyers towards

Stock index futures overcame

early weakness to make strong

gains on the day as the sector

responded to US retail sales

up 9 to 713p.

Oil bid falters The Enterprise/Lasmo bid battle came to boiling point as

rites Joel Kibazo. Active selling dominated initial trading in the Liffe FT-SE 100 contract after it opened at 3,003. As the selling

FT-8	E 100 INDEX	FUTURES (LIFFE] \$25	per full inc	dex point		(APT
	Open	Sett price	Change	High	Low	Est, vol	Open int.
Jun	3002.0	3039.0	+28.0	3044.0	2992.0	22345	33749
Sep	3010.0	3051.5	+28.0	3055.5	3005.0	7852	29063
Dec		3061.0	+28.0			0	752
FT-8	E MID 250 IN	DEX FUTUR	ES (LIFFE	£10 per f	ull Index po	int	
Jun	\$585.5	3575.0	-5.0	3685.6	3581.0	113	2756
Seo	3598.0	3586.0	-1.0	3698.0	3593.0	113	2887
I II FT-SE	MID 250 IN	DEX FUTUR	ES (OMLX	210 per fi	d index po	int	
Jan		3575.0					771

EQUITY FUTURES AND OPTIONS TRADING

All cook interest figures are for previous day, † Exact volume shown

IN FT-SIE 100 INDEX OPTION (LIFFE) (3040) \$10 per full index point

	26	60	26	00	25	150	30	100	30	150	3	00	3	130	3	200
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I-T - SE Actuaries

FT-SE 100 FT-SE Mid 250 FT-SE Mid 250 ex lev Truste

FT-SE SmellCep FT-SE SmellCep ex inv Trusts FT-SE-A ALL-SHARE

cash. Traders rolled forward positions and volume in the near month contract reached 22,345 lots, while that in the lead contract on Friday, in traded options, turnover returned to more favourable levels, reaching 31,629 lots, of which 10,018 were dealt

ND.	EX OPTION	K KOMILX	210 per	LINE PLANE	x bour	_	in the	FT-SE	100 c	ption	and	
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	1526.23	+0.4	1519.65	1535.01	1524.57	1418,10	3.86	8.44	18.60	22.77	1185.88	Inches
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LONDON

	RISES AND FALLS YESTERDAY	Risos	Falls	Some
Calls Pols	British Funds			15
	Other Flood Interest	ő	1	14
	Mineral Extraction	68	59	73
	General Manufacturers			380
	Consumer Goods	34		113
	Bervices	74		328
	Utilities	12		71
	Financials	97	93	183
200 61/2 15 161/2 171/2 26 28	Investment Trusts	49	114	307
500 50 83% 76% 11% 28 35	Others .	43	52	36
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TRADITIONAL OPTIONS **LONDON RECENT ISSUES: EQUITIES**

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164 100 Amey
287 256 Argent
106 100 Automotive Precs
164 150 Brown Dolphin
17 73 CAMAS
112 107 CLS
165 143 Casses
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17 135 Dentry
18 19 Fleeting Indian
18 14 Casses
17 2 15½ Govett Gbl 81 Wt
18 16 15 Heathcas
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2	NII	23/7	4pm	1 ¹ 20m	#Corp. Services	2pm	
160	N	20/7	23pm	3om	Discon Motors	3pm	
265	N		C Span	32pm	Eurobannel	37pm	+3
185	N	11/7	25pm	8pm	Headlam	6pm	
105	N	20/7	1 40m	1pm	Higgs & Hill	1 ¹ 20m	
280	121		34pm	20pm	Jarvis Porter	20pm	-2
205	151	16/7	26cm	14pm	McAlpine (A)	14pm	_
100	NE	25/7	11pm	7pm	NSM	7pm	
5	N	21/7	9pm	7pm	Standard Plat	9pm	
24	N	~	12pm	1000	Unit	12pm	
250	N	27/7	36pm	27pm	Wasself	28pm	-1

FINANCIAL TIMES EQUITY INDICES June 14 June 13 June 10 June 9 June 6 Yr ago 2307.2 2395.5 2410.3 2401.3 2411.9 2250.3 2713.6 2321.2 4.22 4.24 4.18 4.20 4.19 4.12 4.32 3.43 5.67 5.69 5.61 5.84 5.62 4.67 5.76 3.82 15.62 16.75 18.02 18.09 19.04 26.29 33.43 18.59 19.51 19.44 19.72 18.59 19.67 24.48 30.80 18.18 Ord. div. yield Earn. yid. % full P/E ratio net P/E ratio nil

Open 8.00 10.00 11.00 12.00 13.00 14.00 15.00 16.00 High Low 22,936 22,955 23,353 948.5 1264.7 1711.0 24,654 28,036 27,745 224 517.7 582.1 SEAC bargains Equity humovor (Cm)† Equity bargains† Shares traded (m)† 22,978 1261.5 24,542 508.2

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Figures in brackets show number of companies. Basis US Deliers. Basis Values: 1000,00 31/12/95.

Predonessor Gold Mitres Indoc. Jams 14; 225.7; day's change: +6.1 points; Year ago; 189.5 † Perilal Labod prices were unspokable for this ecolor. Australian market obseed 13/6/94.

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MANAGED FUNDS SERVICE ● FT Cityfine Unit Trust Prices are available over the telephone. Call the FT Cityline Help Deak on (071) 873 4378 for more data خائبة الأيافية الإيامة الإيامة がは、 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 041 305 8000 +0.1 +0.2 +0.3 +0.3 +0.3 +0.3 +0.3 | Transport | Tran | Section | Sect | Page | 289.2 277 1 251.1 360.5 273.0 270.8 199.5 270.8 462.8 487.8 193 さきたととはは 上世は色ききとしきたとした 718.9 -0.7 120.9 -0.7 120.9 -0.7 120.7 -0.5 120.7 -0.5 120.7 -1.2 120.7 -1.2 120.7 -1.2 120.7 -0.5 120.7 -0.5 STATESTER STATES STATESTER गा।। दिन ।।। इन्द्रेड्ड्न नह Proposition St. Sept Magnets, F.V.

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Benign CPI data bolster Dow rally

winter, showed fresh signs of

vigour, jumping \$3% to \$109%.

United Technologies gained

\$1% to \$67% and Allied Signal

In telecommunications,

Sprint dropped \$2% to \$37%

after announcing that France

Telecom and Dentsche Tele-

kom had agreed to take a 20

per cent stake in the company.

AT&T, however, was urging

the US government to condi-tion its approval of the deal on

agreements by France and Ger-

many to open their telecoms

markets to foreign competi-

tion. Its share price edged \$%

Exxon continued to feel the

repercussions of Monday's

court ruling, which may allow

plaintiffs in the Exxon Valdez

oil spill to pursue an estimated

\$15bn in punitive claims

their recommendations following the decision. AG Edwards

lowered its rating on the issue from buy to hold, but Pruden-

tial Securities urged its clients

to add to their holdings. In the

cross-current, the stock slipped

\$% to \$59 and led the NYSE's

most active list on volume of

Toronto was lower at midday.

the TSE-300 composite index

losing 9.40 at 4.197.36 in volume

of 27,29m shares. Declines led

advances by 319 to 264, with

transport issues failed to offset

losses in financial services and

media stocks, Bank of Mon-

CIBC was C\$1/4 lower at C\$29.

Equities moved higher in early trading in a technical rebound

following Monday's 4 per cent

fall. The IPC index was up 9.81

at 2,300.93, also supported by

ahead of today's futures index

settlement; equities were up 2.1

per cent in local currency

terms at midsession, following

a 4 per cent gain just before

The Bovespa Index was

firmness on Wall Street.

at \$58% in New York.

of option deals.

298 issues unchanged.

3.6m shares.

Canada

Mexico

Analysts were divided in

against the company.

added \$% to \$36%.

ahead to \$551/2.

Wall Street

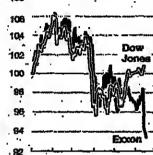
US stocks railied yesterday morning on economic news which suggested that the Federal Reserve was unlikely to tighten monetary policy again in the next few weeks.

By 1 pm, the Dow Jones Industrial Average was 26.32 higher at 3,809.44, while the more broadly based Standard & Poor's 500 was 2.80 ahead at 461.90. Volume on the NYSE was moderate, with about 166m shares traded by early afternoon. Advancing issues led declines by 1,195 to 773.

In the secondary markets, the American SE composite climbed 1.16 to 444.92 and the Nasdaq composite added 3.94 at 735.64.

The catalyst for the morning's sharp upturn was the May consumer price index,

Share price & Index rebased



Jan 1994

Source: FT Graphite

released by the Labor Department just before the markets opened. The CPI showed a benign 0.2 per cent increase for the month, or a 2.5 per cent gain on an annualised basis. When the volatile food and energy sectors were excluded. consumer prices were up 0.3 per cent. Both figures matched the consensus forecasts of economists, relieving anxieties over a potential sell-off in bonds.

In the event, treasuries posted moderate gains, as news of a 0.2 per cent slide in May retail sales reinforced the conviction that the economy was not overheating

Still, the gains made in the equity markets overshadowed the progress made by bonds during the morning, as stocks continued to assert a measure of independence from fixedrate securities. Equity investors viewed the morning's news as favourable because it increased the odds that the Fed would wait until the end of the summer before lifting rates

Such a scenario was particularly supportive for stocks which were most vulnerable to a slowing economy. The same group was in the vanguard of yesterday's rally. Caterpillar, which had led the Dow industrials during the

S Africa firm on rise in bullion

Domestic institutional buying drove Johannesburg higher ahead of today's expiry of futures contracts, while a firmer gold bullion price also lent support.

There were late gains in gold shares after bullion seemed ready to break out of its current narrow trading range through the \$385 an ounce level after midday, before slipping back by the close of trade. The overall index advanced 41 to 5,762, industrials 14 to 6,723

Among the most actively traded issues, De Beers added 75

cents at R118.25 and Anglos R2 at R247. In golds, Vaal Reefs strengthened R11 to R421 and Kloof R1.25 to R54.75. Oryx, the developing mine, jumped 30 cents to R5.

Foschini, the retail clothing and Jewellery group, moved forward R5.50 to R107.50 following satisfactory annual results.

EUROPE

Bourses find late support from bonds

Encouraged by lower US retail sales and CPI data for May, European bond markets recovered from early lows yesterday. writes Our Markets Staff.

Equities followed suit, but dealers were inclined to question the intraday rally, and strategists to remember the inflation arguments following this week's West German wholesale price data, up 0.5 per cent over April and far ahead of market expectations.

FRANKFURT went to extremes in the pre-bourse. when the Ibis-indicated Dax index hit a low of 2,048,74, and after hours when it recovered to 2,088.44, 4.02 higher than on Monday evening.

There were sizeable recoveries in the post-bourse, with Volkswagen at DM453.70, up DM15.70 from the day's low, and Thyssen, at DM280, up DM15. But Mr Detlev Klug, head of sales at B Metzler in Frankfurt, said the market was walking on thin ice.

Arbitrageurs, he said, had

been talking for a couple of days about taking the market down to 2,050; after they achieved that aim, the September bund future recovered from 91.54 to 92.30, and short covering took over in equities. On the day, volume recovered from DM5.8hn to DM9.7hn. but the daily figure covers the 24 hours until the official

dropped 31.08 to 2,074.70.
PARIS ended firmer, although the CAC-40 index AMSTERDAM found support after the US data, the AEX index, ending 0.30 down at 401.63 after a session drifted down to yet another low of 1,956 before US data low of 398.23. prompted a return to strength

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Jun 10

Turnover was nearly FFr4bn. There was activity in L'Or-éal, the cosmetics group, fol-lowing the announcement after hours on Monday that it was to purchase four of its distribution companies controlled by Nestlé and Mrs Liliane Bettencourt, daughter of L'Oréal's founder, for FFra.8bn. Analysts commented that the deal was likely to have a positive effect on earnings, and strengthen

The index closed up 14.33 at

1.991.99.

FT-SE Actuaries Share Indices

1388.52 1412.64

to FFr1,145, still 17.5 per cent down from the year's high recorded at the end of January. Pechiney, the aluminium producer, slipped FFT9 to

the group's presence in world

markets. The shares rose FFr51

KPN remained very active

on the second day of trading, encountering profit-taking after Monday's extremely busy performance. The stock lost 20 cents to F150, but off the day's low of F149.90, in volume of some 8m shares. KLM, up 80 cents at F151.60,

said that its present strategy was focused on alliances rather than a merger with another MILAN lost 3.3 per cent as

foreign investors raised cash shead of the Mediobanca and Mondadori issues, although prices steadied late in the session as domestic funds returned as buyers. The Comit index registered a fall of 24.38 to 717.95, slightly below the 720 point level at which the marshareholders cleared the way for a rights issue to raise at least L1,500bn

Mondadori lost L860 to L18,500 ahead of news as the market closed that its issue had been priced at LI5,000 a share, which was at the top end of expectations.

Fiat fell L135 to L6,498 in volume of 33.5m shares amid reports of beavy selling by two Milan brokerages. ZURICH reduced some of its early losses in a technical rebound after Wall Street's

firmer opening and the rally in US bonds. The SMI index finished 4.2 lower at 2,740.0. Roche certificates helped the

tone, picking up from a low of SF16,710 to finish SF135 higher at SFr6,700 as BZ Bank launched 500,000 call warrants. Interest rate worries continued however, to take their toll on the financial sector. CS

Holding last SFr6 to SFr575, while, among insurers, Winterthur bearers fell SFr15 to SFr720 and Zurich bearers were SFr11 lower at SFr1,369. MADRID's late upswing left the general index up 1.35 at 322.38 in turnover of Pta32.3bn. Volume was lifted by Telefonica, tipped by Prudential Securities and up Pta40 to Pta1,860 in nearly 6.4m shares. Endesa,

cent slide which came as try's largest commercial bank. predicted slower economic growth for the rest of the year. The Mishtanim index closed 8.63 lower at 176.88.

ATHENS reversed five consecutive days of losses, rising 2.7 per cent as construction shares rebounded on expectations that the first inflows from the European Union's Delors II financial aid package would become available soon.

The general index rose 21.98 to 847.35 in moderate volume of 1.2m shares as the more posttive mood spilled over into other sectors.

VIENNA was pulled down by weak bond and foreign equity markets, and further losses were expected ahead of Friday's option expiries. The ATX index fell 20.02 or 1.8 per cent to 1,072.78, with all 19 of its constituents falling.

WARSAW tumbled another 9.4 per cent to its lowest level since last Oclober, the Wig index falling 823.3 to 7,934.0, for a two day fall of 18.3 per cent. Dealers said that some late buying suggested that the two-day slide was losing momentum, although the worry remained that since trading remained dominated by short-term speculators, any gains might provoke a further sell-off.

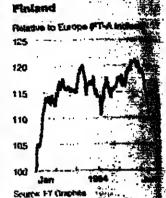
Written and edited by William Cochrane, John Pitt and Michael

Helsinki down 2% in Nordic slip

Nordic markets, early closers by and large, derived little benefit from resterday's Essepean bond market recovery, writes William Cochrane.

The exception was Stock holm, which came back from an carly fall of 1.3 per cent to end with the OMX index a

token 2.26 higher at 1,162.65.
Heislaki took a 2 per cont tumble, the liex index closing 33.7 lower at 1,657.8 as more results, particularly from Valmet, the engineering comp and Rautaruukki, the steel



large at

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4.5

group, falled to impress the market - the shares dropped FM12 to FM84 and FM8.50 to FM42 respectively.

Copenhagen reversed its recent recovery, with the blue chip KFX index locing 1.48 at 103.61 and Osio's all-share index bitting a new 1994 lowof 599.13 before closing & off at 600.75.

Mr Peter Tron at Unibink said that liquidity had been a major concern: In Norway, due to Norsk Hydro's NErt. She rights Issue; in Sweden, fielding the Pharmacia privationtion; in Denmark, with the debut of Tele Danmark; and in Finland, where Nokia, a star performer, will soon be looking for more than Falton.

The region, sald Mr Tros, had also been depressed by bond market weakness stoo February 4: In Sweden, sixmonth rates rose from 8.9 to 7.1 per cent over the period; in Norway, they moved up from 4.91 to 5.24 per cent; and in Finland they jumped from 4.58 to 5.31 per cent, the price for letting the economy rip after a major devaluation.

FFr152.20 after forecasting that ket had been widely expected up Pta140 at Pta6,350, also to find technical support. Mediobanca picked up L154 1994 would be a difficult tradlifted the market. TEL AVIV fell 4.6 per cent Frankfurt close at 13.30 local ing year, with improvement to L15.383 after Monday's 4 per after Bank Hapoalim, the countime. In that period, the Dax likely in 1995.

Nikkei declines as dollar falls against yen

Tokyo

ASIA PACIFIC

sharp fall in the dollar Gains in precious metals and against the yen and jitters over the situation on the Korean peninsula prompted profittaking, and the Nikkel 225 treal fell C\$1/4 to C\$231/4 and average closed 0.9 per cent down, writes Emiko Terazono

> The index was finally off 198.84 at 21.353.97 after opening at the day's high of 21,495.70 and declining to a low of 21,304.16 on profit-taking in the afternoon.

The dollar's drop to the Y102 The market had tumbled on level and North Korea's Monday following the rejection announcement of its withby the Zapatista rebels in Chiadrawal from the International pas at the weekend of the lat-Atomic Energy Agency offered est peace initiative. Telmex domestic financial institutions ADRs were quoted \$% higher and investment trusts an opportunity to take profits. Traders noted heavy selling orders around the 21,500 level. Meanwhile, dealers were at a São Paulo saw high volume

loss to explain the sudden appreciation of the yen. "Traders are blaming German poli-tics, but it is more likely that the lack of activity is creating a vacuum for speculation," said Mr Dick Beason, economist at James Capel.

standing 630 higher at 30,100. The Topix index of all first Brokers said that turnover was section stocks shed 9.93 to 1.702.80 and the Nikkei 300 unusually large at Cr363bn (\$165m) due to a high volume receded 2.05 to 309.66. Declines led rises by 693 to 315, with 175 Telebras preferred was up 2.4 issues unchanged. Volume per cent at Cr85.02 while Electotalled 470m shares, against a trobras preferred rose 1.4 per cent to Cr486.51. previous 423m. In London the ISE/Nikkel 50 index was 1.16 firmer at 1,403.59.

Export-oriented issues were hurt by the higher yen. Hitachi retreated Y20 to Y1,090, NEC Y30 to Y1,260 and Sony Y50 to Y6,330. Low-priced, large-capt-tal shipbuilders and steels, which led the recent rally, lost ground on profit-taking. Mitsubishi Heavy Industries, the most active issue of the day, fell Y16 to Y812.

Speculative favourites were supported by individual investors. Iseki, the agricultural machinery maker, saw a new high for the year, rising Y17 to Y519, and Kubota, the textile maker, advanced Y15 to Y504. Minebea, the ball bearings

company which had rallied recently on support by speculators and dealers, lost Y24 10 Y876, declining heavily for the

second consecutive day. In Osaka, the OSE average eased 78.62 to 23,668.56 in volume of 53.9m shares. Nimtendo, the video game company, moved ahead Y170 to Y6,620.

Roundup

In the absence of Hong Kong, closed for a holiday, and weak-ness in Tokyo, the region's markets searched for direction. SEOUL was hit hard by North Korea's decision to withdraw from the international Atomic Energy Agency.

The composite index weakened 19.52, or 2.1 per cent, to 903.72 in volume of 34.9m shares, against Monday's 30.9m, as investors retreated awaiting developments.

KUALA LUMPUR closed off the day's lows as a fresh round of rumours of an early general election in Malaysia prompted bargain hunting in the after noon. The composite index ended 4.44 down at 1.013.49. after touching 1,006.90, in volume that shrank to 183.9m shares from Monday's 461.7m. Perstima appreciated 65

cents to M\$6.80 amid rumours of a change in ownership.

SINGAPORE had a quieter day after Monday's strong showing by Malaysian shares traded over the counter, and the Straits Times Industrial index dipped 17.62 to 2,278.30 in volume down to 125m shares from a previous 358m.

Some rotational activity was seen in selected index stocks. Sembawang lost 40 cents at S\$11.10 and Inchcape fell 30 cents to \$\$5.35. SYDNEY was broadly higher,

belped by mining stocks, which were lifted by the rise in commodity prices. The All Ordinaries index improved 7.2 to 2,076.6 in A\$445m turnover. In the natural resources sector, Western Mining forged ahead 26 cents, or more than 3 per cent, to A\$8.40. BHP was

8 cents higher at A\$18.70 and

TAIPEI ended off the day's best on lale selling. The weighted index gained 25.51 at 6,098.94 in T\$75.7bn turnover. The electronics sector con-

timued its strong performance, Acer adding TSI at TS77 and United Microelectronics 7\$3.50 at T\$129. Financials were also strong, led by Cathay Life, up TS6 at T\$261 BOMBAY closed higher on

late buying in selective shares by foreign mutual funds, and the BSE 36 index put on 4.28 at 4.133.13. But the overall mood was weak ahead of tomorrow's end of account in specified, or A", shares on Thursday. Indian Hotels, which is

expected to announce a bonus issue tomorrow, finished unchanged at Rst.350.

MANUA slipped back in a market devoid of new developments. The composite index lost 50.14 at 2,936.05. Turnover rose to 677m pesos.

Philippine Long Distance Telephone, San Miguel ond Manila Electric suffered bouts of profit taking. The latter's "A" shares showed the day's heaviest fall, 2.5 per cent at 290 pesos. PLDT dipped 2 per cent to 1,830 pesos and San Miguel 1.5 per cent to 99.50 pesos.

BANGROK feil back as investors took profits late in the day, particularly in the

ended 0.16 softer at 1,378.88 after fluctuating between 1,375 and 1,390. Turnover was moderate at Bt8.5b, against Monday's Bt7.6bn. The finance sector was the

most active with some Bt3.1bn worth of shares changing hands, Finance One firmed Bt4 to Bt418. KARACHI moved upwards

on brisk trading in blue chip stocks as Imperial Chemical Industries announced that it might set up a new plant. The KSE 100-share index climbed 11.47, or 0.5 per cent, to 2,230.53. ICI rose Rs6.50, or 3.7 per cent, to Rs182.50.

VIEWPOINT

The Commerzbank report

on German business and finance 6/94

Deposit insurance: a major strength of German banking

A sound deposit insurance scheme is an important asset for a banking system. And the substantial losses suffered by BCCI's customers when it collapsed three years ago provided further evidence of the need to offer depositors adequate protection. But in any case deposit insurance is crucial to the stability of the banking system. Its very existence is sufficient to prevent rumors of financial difficulties at individual banks from causing a general run on banks.

By international standards, German banks offer depositors a high level of protection. Indeed, private-sector institutions guarantee each customer's deposits for up to 30% of the bank's equity capital, which means that, even at smaller banks, deposits are fully insured for up to several million D-marks; at the public-sector savings banks and credit cooperatives, they have in effect unlimited cover.

EU harmonization

The extent of depositor protection varies greatly within the EU, a situation which a directive drawn up by the Council of Ministers is designed to regulate. Originally, an upper limit was envisaged for deposit insurance in order to preclude cross-border competition in this area. But this would have violated the principle of agreeing on certain minimum standards while allowing member states to opt for higher national coverage levels. Consequently, the directive, which becomes effective on January I, 1995, merely introduces a minimum cover equivalent to Ecu 20,000.

Under the new system, banks from other EU countries operating in Ger-

"The EU ruling prevents German banks from offering generous protection abroad."

many are entitled to participate in the local deposit insurance scheme on a voluntary basis and thus provide more cover. Yet German banks will not be allowed to offer their

own more generous level of protection elsewhere within the EU. Their branches abroad will only be able to guarantee deposits to the - lower - extent permitted by the host country. As a result, this ruling would seem to be at odds with the principle of home-state regulation; it also impedes competition

Critics of a comprehensive system of coverage sometimes claim that if deposit insurance is overdone, the result can be harmful. In this connection, they cite the S&L

crisis in the U.S. during the 1980s as o case in point. Strong depositor protection allowed banks to tend imprudently and gave their customers a sense of false security. However, if their deposits had been given less cover, the smaller banks would have been of a competitive disadvantage, as funds would have moved to other banks which are "too big to fail". After all, most savers would find it too costly to judge a bank's soundness.

Finally, the record of the German banks is ample proof that very generous deposit insurance is compatible with sound banking practices, provided that the banks themselves are responsible for running and financing the scheme.

Worldwide, the national systems of deposit insurance will face cross-border. competition in the future, and in some cases countries will have to raise their.

existing level of protection. Moreover,

some form of cover will also be required

in the area of settlement and custody

of securities; an EU directive is now

deposit insurance scheme does not necess-

arily cause banks to cast prudence over-

board, it can prove to be a welcome life

belt in today's turbulent world financial

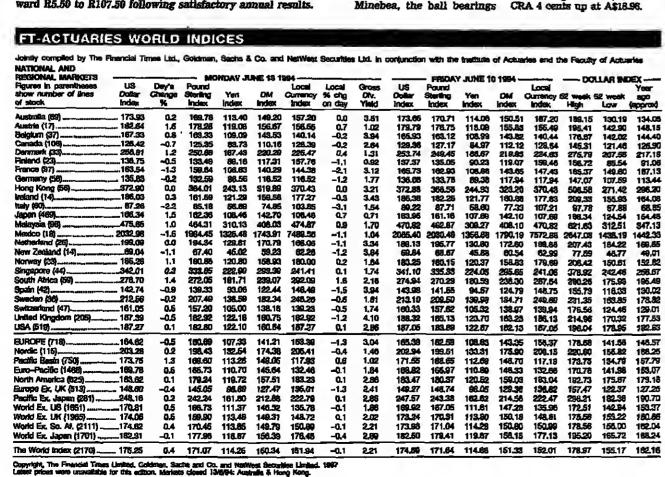
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COMMERZBANK 3/2 German know-how in global finance

forthcoming.

International presence: Alms-Am, Amuserdam, Aniwerp, Athana, Benglook, Barcolons, Reling, Bostbay, Brusse Gibrahar, Grand Coysten, Hong Kong, Istanbel, Iskaria, Johannesburg, Kiev, London, Los Angeles, Lucensb ibay, Brussela, Budapeat, Buenos Aires, Ceiro, Casacaa, Chicago, Copunhages, Dublin, Genevo. es, Lavestioneg, Madrid, Magana (Bahrain), Munico City, Midaa, Minsk, Moteure, New York,



Telecommunications in Business

Wednesday June 15 1994

The high value of business in the financial services sector is a powerful driving force behind competition, liberalisation and innovation across the telecommunications industry, writes Andrew Adonis

A crucial role in companies large and small

ever bave telecommunications been so vital to business success. From being one important service among many, telecoms have become strategic to most businesses. And as reliance on telecoms has increased, the range of the industry's services consumed by the corporate sector has risen.

Helvinki down 2% in fordic slip

This is as true of small as of large businesses. The local plumber, who a decade ago relied on a "plain old telephone" and possibly a spouse to take messages, will now very likely have a pager, a cellular phone, and two bome phone lines complete with answerphone, call-waiting, fax and other value-added services. If he or she belongs to a larger organisation, there might also be a personal computer networked to the parent company's billing, ordering and messaging systems.

aging systems.

At the other extreme, telecoms is the lifeblood of the financial services sector. Furthermore, the value and concentration of husiness in the financial services sectors of the main industrialised countries are powerful driving forces behind competition, liberalisation and innovation across the telecoms industry.

esearch recently completed by the London Business School for London's City Corporation on the telecoms infrastructure of the industrial world's principal financial centres highlights the important social, industrial and economic knock-on effects of those trends.*

Based on a study of telecoms and financial centres in France, Germany, Japan, the US and the UK, the LBS reaches five conclusions of significance far beyond the financial services sector:

A financial centre's competitive advantage in telecoms is "much more likely to be a consequence of the differences in tariffs, product choice and reliability than of differences in the technology employed."

● Telecoms account for about 8 per cent of the financial service sector's spending on goods and services, a significantly higher percentage than that spent by other sectors. To put this in perspective,

To put this in perspective, about 35 per cent of all international calls from the US originate in New York City; 80 per cent of all telecoms spending in France originates or ends up in Paris; more than a quarter of all the UK's cellular mobile calls are made within London's M25 orbital motorway. In each case the financial sector is but

one aspect of the concentra

• The value to telecoms operators of business generated by financial sectors is leading to massive infrastructure investment in them.

Fibre-optic grids and new switching and transmission technologies are providing broadband and other advanced services down to the level even of medium-sized businesses requiring a few dozen lines. This is particularly true of the financial districts of London, New York and Tokyo, where the volume of business is greatest and several operators now provide fibre grids.

 The availability of advanced services at competitive prices is, in turn, helping to preserve the concentration of financial services.

A few years ago it was fashionable to believe that modern
telecoms would encourage a
migration of husiness away
from established centres, with
business districts disintegrating and "teleworking" becoming ever more prevalent. There
is evidence of this in some sectors, but the LBS study suggests that in financial services
the disparity between network
provision in established centres and beyond may be having
the opposite effect, acting as a
strong incentive to continued

• The value of the telecoms business in financial districts is serving as a powerful stimulus to competition between operators, with many new entrants building their own local infrastructure to by-pass the former monopoly suppliers and customise their own ser-

Where competition is allowed, the effect has been to reduce tariffs, widen product choice, improve overall service quality, make multiple-sourcing a rule for most businesses — and, once again — to help preserve concentration. In three of the five centres — New

York, London and Tokyo – the market for the carriage of 'voice' traffic over public networks is largely liberalised, and competition between operators is fierce.

In New York, "competitive

access providers" (Caps) bypassing the local network of Nynex, the regional Bell operator, have taken about 60 percent of the former monopoly operator's private-line business. Mr Richard Jalkut, chief executive of Nynex's New York operations, says: "They have turned us upside down. We are

nt Continued on next page

still a Cinderella sector:

contracting-out: Page 4.

☐ GSM digital cellular

☐ Satellite-based services

from blueprint to reality:

□ Paging markets: Europe

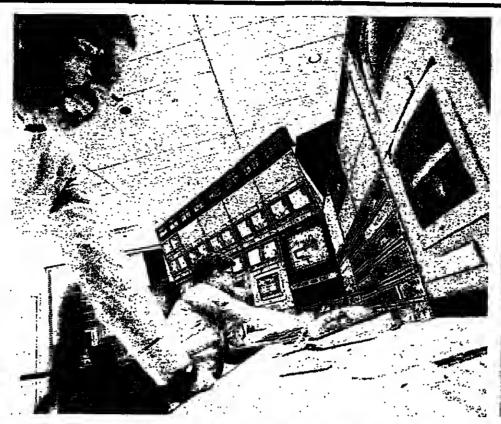
route to paper-free trading

networks: Pages 5-6.

lags behind: Page 6.

☐ Electronic commerce

□ Outsourcing and



A master control room - overseeing data being moved eround Britain for large companies. The centre controls the Maxat Satellits company's two London teleports. A third London teleport, costing £2m, will open in August.



Open ground the clock: this Cable and Wireless network management centre in London is manned by a multi-linearit staff, working 365 days a year providing stable accompanies for a staff working 365 days a year providing stable accompanies for the staff working 365 days a year providing stable accompanies for the staff working 365 days a year providing stable accompanies for the staff working 365 days a year providing stable accompanies for the staff working accompanies for the s

Licensed Price-Fighter



Telia is licensed to deliver international calls from the UK.

Telia, the Swedish telecommunications company, is now licensed to provide international telephony services in the United Kingdom too. Through the new Telia Operations Centre in London, UK business customers are connected to Europe and the world at highly competitive tariffs.

Operating Sweden's national telecom network for more than 140 years, Telia delivers advanced digital network services nationwide. Our service performance is second to none, yet telephony costs are among the lowest in the world.

One of the first operators to face competition on our home turf, Telia is no stranger to international business either. In fact, we are deeply engaged in several major development projects across Europe, east and west.

Coordinating their technologies and service programmes, Telia, PTT Telecom Netherlands and Swiss PTT Telecom have formed Unisource – the first pan–European telecommunications company. Unisource provides a single point of contact, a seamless European network and global data, satellite and messaging communications services for customers across Europe.

Meanwhile, the Telia Operations Centre in London delivers first rate telephony services at reduced cost for UK based companies with an eye for European opportunities.

For more than a century, Telia has been the leading telecommunications operator in Sweden, the world's most open telecommunications market. Besides the national telephony network, the company successfully operates NMT and GSM mobile networks. Outside Sweden, Telia is directly engaged in operations and development projects around Europe and beyond.

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Your Swedish Telecom Partner

Phone call prices are falling

Page 4.

IN THIS SURVEY

Competition is forcing down the cost of telephone calls in Europe; European telecom tariff comparisons: see Page 2.

Mobile communications: US subscribers set the pace as world cellular population tops 35 million: see Page 3.

Liberalisation of telecommunications in

Europe: Page 4.

| Mobile data services:

| M. GOING OUT MISS |
| JONES. 450'D BETTER |
| COME WITH ME IN |
| CASE MY CORDLESS |
| PHONE NEEDS ANSWERING



☐ Facsimile usage: soaring popularity: Page 7. □ Packet switched data services: Page 7. ☐ North America: signposts on the digital highway: page 9. □ UK market: new battles loom: Page 10. ☐ Calling cards and smart card technology: pages 10 and 11. □ Computer-telephone integration: route to commercial gain - page 11. □ Video-conferencing levelopments: Page 12. ☐ Cordless phones help cut costs: Page 12. ☐ Era of the 'virtual office Page 12 Editorial production:

FT SURVEYS INFORMATION

The FT's next communications-related survey will be: COMPUTER-NETWORKS & COMMUNICATIONS To be published on June 28, 1994.

This survey will look at the management of computer networking - networks are inherently complex, both in physical construction aand logical design. A raft of problems have been thrown up which companies must address - from network integrity and security to the control of

Other themes of the survey will include the Internet; network eccurity; client-server systems; the operating systems debate; business applications; open systems and interoperability; plus mobile communications technologies that make it possible to tap into networks while on the move. For e full editorial synopsis, see the London telephone numbers below.

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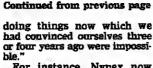
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or fax 071 873 3076 or 071 407 5700 Cheques and postal orders for the FT Surveys Index and Back Numbers should be made payable to Financial Times Ltd.

cerned, Number One Southwark Bridge, London SE1 9HL,

Competition forces down prices

Continued from previous page



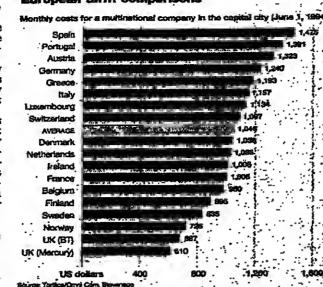
For instance, Nynex now provides 1.5 MBit circuits within 24 hours, which e few years ago used to take Nynex six months. The largest of New York's "Csps", MFS, has just launched a network in the City

of London, offering local ser-vices across its own infrastructure and re-sale facilities hevond. It is the fourth operator in the City to build its own infrastructure, and another two are in the offing.

In addition, upwards of e dozen re-sale operators are established, aiming particu-larly et high-tariffed interna-

Take the case of one of the UK's largest insurance companies, with e large office in the City and a network of more than 50 centres across the country. The company now boasts three City of London suppliers - BT, Mercury, and Worldcom, e US international re-sale operator. It is looking at both MFS and Coit, another US operator launched earlier this year which is building its own City infrastructure.

"I am after not just price but resilience," says the company's telecoms manager.



Resilience - back-up capacity in case one operator fails is e key factor: many telecoms managers are keen to "dual source" to improve their resilience; and resilience, in turn, makes them reluctant wholly to sever their ties with the former monopoly operator, how-

ever great the price savings on offer from its competitors. A report by the New York Partnership in 1990 estimated that a loss of service in

e key business district for a single day could disprupt financial transactions worth more than \$1 trillion.

Significantly, the insurance

company mentioned above still sends ebout half of its long-distance business over BT, on grounds of resilience. In France and Germany, the other two centres studied by

lies of the state operators will remain in force until 1998.

coms liberalisation agreed by the European Union'e Council

The liberalisation of mobile. satellite and value-added services has already led to strong competition, particularly in virtual privete networks for large corporate customers. Within a year, MFS plans to

open shop in Paris and Frank-furt, offering services within the limits of the EU rules.
What is competition doing to

Without doubt it is forcing them down, but one needs to be wary of simplistic generalis-ations. The graphs of price levels (see chart below), taken from a recent study of business tariffs in the UK, France, Germany and Italy by Analysys, the Cambridge-based telecom consultancy, reveal a complex picture.

In almost every sector surveyed, the UK came out with lower telecoms prices than the other three countries. But it also had lower prices a decade ago, before liberalisation and the privatisation of BT.

The relative gap between the UK and the others has not changed greatly over the decade - indeed, for international calls it has narrowed sig-nificantly. The principal UK gainers appear to be very large 100-line plus - busine

Furthermore, the gep between Mercury and BT has

past few years, as competitive and regulatory pressures have forced BT's tariffs sharply downwards. It is e similar pic-ture in the US, where fierce competition between AT&T and MCI has steadily eroded the tariff gap between the two

In mobile and other val-

Companies are not merely seeking cheaper services, but also resilience and back-up capacity in case one operator fails

ue-added sectors, competition is entrenched in the US and is spreading fast across Europe. The UK'e fourth mobile cellular operator was launched ear-lier this year, the euction of PCS licences in the US next year will further intensify US cellular competition; and competing operators are spreading fast across mainland Europe and Asia-Pacific. In fixed-line

services, although competition is likely to be fiercest in finan-cial centres, the US and UK experience suggests that it will extend well beyond in due course. "Caps" are entrenched in most large US cities; legislation before Congress could bust the Baby Bells remaining

local monopolies.

In the UK, central Manches ter is about to become as hotly contested a market as central London, with three operators

building infrastructure in addi tion to BT and Mercury. The trends are the same across the rest of the developed world. Australia and New Zea land have undergone radical programmes of telecoms deregulation; Hongkong Telecom's local monopoly is to be ebolished next year; and numerous other Asia Pacific states are proceeding down the

same road. For businesses able to grasp the potential of choice and technological advance, the opportunities are legion.

Jenny Ireland, "The Importance of Telecommunications to

London as an International Financial Centre," Corporation of London, Guildhall, London EC2P 2EJ. Free.

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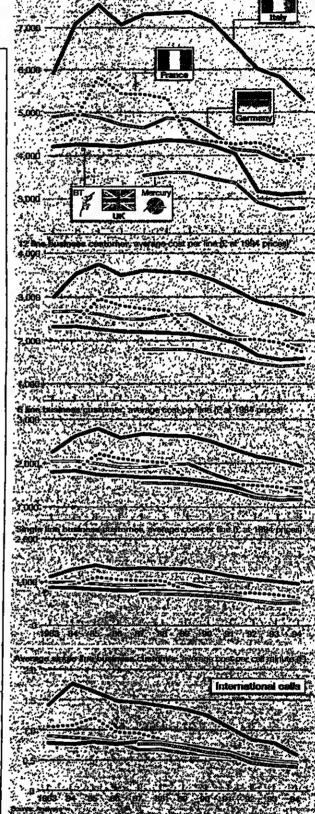


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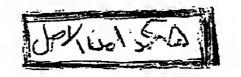
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■ hree significant trends are evident in the cellu-lar mobile industry across the developed world: ☐ First, the tentative entry of the mobile phone into the

consumer market. ☐ Second, the rise of competition between rival operators within countries.

☐ And third, the migration from analogue to digital networks offering greater capacity, enhenced feetures. improved reliability, and the capacity to "roam" across national borders.

Yet the three are not moving in tandem. The UK has four network operators up and run-ning, with nearly four subscribers per one bundred peo-

Belgium, Italy and the Netherlands still have only one functioning operator apiece ~ in all cases the monopoly national telecoms company with two or fewer subscribers

per one hundred people.

Even the UK appears a backwater hy the standards of the United States, which has six sobscribers per ona hundred people and is about to boost its already fierce mobile competition hy auctioning a host of new Personal Communications Systems (PCS) licences. Last year's \$13bn takeover of

a telephone calle

McCaw Communications by the US giant AT&T marks a decisive turning point, giving a aignificant impetus to the development of cellular telecommunications and their integration with fixed-wire net-

The past year has seen the more mature markets - the US and western Europe - grow at roughly similar rates. Growth has been much faster in eastern European, Latin American and Asia-Pacific regions, but in all cases from a lower base. According to FT newsletter, Mobile Communications, 1993 saw the North American market grow 43 per cent to 17.3m and western Europe grow 47

per cent to 8.8m. By contrast, eastern Europe grew 129 per cent (but still only to 110,000), while Malaysia grew by 64 per cent, Argentina by 220 per cent, and China by 300 per cent - to select from the other regions.

China, however, still has barely 700,000 subscribers for 1bn people - fewer than Sweden, and only three times more than Switzerland. Nonetheless, even in the west the mobile phone still has a long way to go before it becomes a stan-dard business item, let alone a CELLULAR TELEPHONY

Enhanced services on the way



Across Europe, as well as in Asia Pacific and the Middle East, the new-generation Global System for Mobile communications has entered service. In Germany and Denmark, Motorcia handsets for the digital GSM networks have fellen to under £100 in some pr The caller above is using a new-style Alcatel phone

World cellular population tops 35 million

Data (with expectitions in selficons in cole 2,3 and 4)	Europe	Rest of the world	World total
April 1990	2.6	5.2	7.8
November 1990	3.2	7.2	10.4
April 1991	3.9	8.8	12.7
October 1991	4.4	9.2	13.5
February 1992	4.7	11.4	16.1
January 1993	5.8	17.0	22.8
July 1993	7.1	20.2	27.3
January 1994	8.9	24.9	33.8

GROWING MARKETS: the world cellular population reached 33.8m by January 1994, according to the latest issue of the FT Newsletter, 'Mobile Communications.' However, the figure for western Europe alone rose by a million in the first three months of this year. The cellular population in western Europe grew by 47 per cent last year, rising to 8.8m at the end of 1993.

The north American market graw by 43 per cent last year, rising to 17.3m from 12.1m. The fastest-growing cellular markets are in Asia - China experienced the highest growth-rate, rising by more than 300 per cent from 160,000 subscribers at the end of 1992 to 844,000 subscribers a year later. Details of the FT group's two telecom newsletters, 'Telecom Markets' and 'Mobile Communications,' are avail-able in London on tel. 071-353 0305; fax 071-353 0846.

mass consumer product. For all the talk of mobile networks competing with, or replacing, fixed networks, the virtually no organisations of any size make universal provision for their employees to have cellu-

In the most populous mobile nations, the best analogy for the present state of the mobile phone market is that of a thin sandwich in search of a thick filling. Two thin slices of the business market are currently being serviced - namely senior

executivea on the one hand, and travelling sales people plus the self-employed "roamers" (plumbers, electricians, and so on), on the other.

In between, lies a mass of the employed who get no closer to e mobile phone that overhearing banal conversations on the train home. Typically, a com-pany will have a handful of mobiles available for staff on the move - but no policy of progressively extending their

Henceforth, cellular phones

can probably be expected to penetrate both the business and the consumer sectors in parallel, the one re-inforcing the other against a backdrop of progressively – but not precipi-tately – falling tariffs. Price reductions will owe

something to technological edvance; something to competition between operators; and something to cultural attitudes, which at some point are bound to make that the mobile phone as essential as the fridge. That time may come fairly soon, if the progress of the UK market over the past

year is any guide.
In the UK, tariffs have been falling fast. After eight years when Celinet and Vodafone, the two original operators, lev-led largely unchanged and almost identical tariffs, the past year has seen successive price cuts and a growing diver-

sity of tariff packages. Eighteen months ago the two operators began tapping the low-use market, with low sub-scription but high usage charges. Last summer the

The US has six subscribers per 100 people and is about to intensify competition by auctioning a host of new licences for Personal

Systems imminent launch of the Mercury One-2-One network in the London region obliged them first to drop their London tariff

premium, then to introduce

Communications

special discounts for users in the London region. The effect was dramatic. At the start of 1993, the business user had to pay 33p a minute for daytime calls in the London

By the year-end that had dropped to 20p for those on new London tariff packages though calls outside the region cost more oo the tariff, One-2-One charged business customers 16p a minute, and 8p after 9pm and at weekends, (One-2-One caused a stir in the industry by offering free local calls on weekday evenings and at

UK cellular telephone tariffs

(P) · · ·

Excluding 17.5 per cent VAT

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Low-user Tacs	LowCaft	25	12.8	43	. 17	8.00am-7.00pm Mon-Sat
London Tacs"	Capitalcall*	50	20 .	20/50	10	7.30am-9.30pm Mon-Sat
GSM	EnroDinital.	. 58	. 25	25	. 10	7.30am-9.30pm Mou-Sat
MCH.	. HetroDigital+	50	20	20/25/603	103	7,20am-8.30pm Mon-Sat
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CETTIVET .					•	
Bushins Tacs	Frimatime	50	25	25	10	8.Gam-10.GOpm Mon-Sat
LOW-HEST THES .	Lifethme	25	12.8	43		- 8.00am -7.00pm Mon-Fri
nector Tacs"	Citytime	50	20	20/50	10	8.02m-10.00pm Men-Set
LESE .	ESM	50	25	25	10	8.Sem-10.00pm Mon-Set
W MENCHRY						
ONE-2-046						
	Harginess Calf	28	20	16	8	7.00am-9.00pm Mozi-Fri
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PCH Lendon PCH London	ParsonalCall Talk 15**				8 froc/16	
PCH Lewise PCH London III ORANGE Trange	PersonalCall	20	12.5	25		7.00mm-7.00mm Mon-Fri
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Capitalcall and Citytime peak-rate call charges are 20 pence a minute for calls made from within the M25 orbital motorway, and 50 pence a minute for calls from elsewhere. In both

cases, off-peak calls cost 10 pence a minute.

+ MetroDigital peak-rate call charges are 20 pence a minute for local calls and 25 pence a minute for long-distance calls, provided they are made from within a MetroDigital coverage area. In both cases, off-peak calls will cost 10 pence a minute. Calls from outside MetroDigital coverage areas will cost 50 pence minute at peak times and 10 pence a minute

off-peak. When calls are made from a subscriber's home cell, peak rate charges are 10 peace a minute for local ealls and 12.5 pence a minute for long-distance calls, Local and long-distance, off-peak calls made from inside the home cell both cost five pence a minute.

"Talk 15 includes 15 free minutes of skitime; Talk 60 includes 60 free minutes; likewise, Talk 200 includes 200 free minutes; Talk 360, 360 free minutes; Talk 540, 640 free minutes. Source: FT newslatter - Mobile Communications, May 5, 1994

weekends, but only on a consumer tariff of little use to the

typical business customer). The launch of a fourth network operator - Orange, owned by Hutchison Microtel in April this year has not had a similar impact on tariffs, But the Orange strategy shows e sophistication in its approach to the business sector which

may also boost the market. Orange's tariffs feature minwith the monthly subscription. ager and small businessman in The various packages include mind. Meanwhile, handset

between 15 and 540 minutes of prices are also coming down free calls.

Cleverly, most of them bundle in more minutes than the average business customer currently uses - i.e. between 150 and 200 minutes - but for a price below the equivalent for the same calls at peak rate on existing Vodafone and Cellnet networks, if paid for on a usage basis. The tariff struc-ture is clearly designed with utes of "free" calls bundled in . the, company telecoms man-

get slim-line phones for the UK's analogue networks for under £100. Phones for new digital networks are more expensive, but Mercury One-2-One cut the price of its digital phones - compatible with those for the Orange network by £50 in the run-up to the Orange launch, taking the

rapidly. It is now possible to

cheapest to £170. In Germany and Denmark Motorola handsets for the digi-

to under £100 in some promotion packages. Enhanced services are also

on the way. Orange's Nokia bandsets double as radio pagers and have screens which can display messages.

Each handset can support two telepbone lines distinguished by different ringing tones. Their batteries support more than an hour's continuous conversation.

Meanwhile, other operators are exploring the potential for integrating fixed and mobile services as a means of boosting their business appeal. Full integration with BT's fixedwire service is prohibited by Celloet's licence, but possible departures include software enabling PABXs to switch calls to employees' mobile phones automatically, and switching enhancements for virtual pri-vate networks enabling calls to be passed to mobile networks without incurring fixed-line

costs. The relationship between fixed and mobile networks lies at the heart of future growth. On the ooe hand, regulatory authorities on both sides of the Atlantic have been keen to keep fixed and mobile networks separate, to prevent dominant (often monopoly) fixed-line operators from cross-subsiding their (competitive) mobile operations. AT&T bas had to go some way to oneeting this requirement in its takeover of McCaw, to appease the Federal Communications Com-

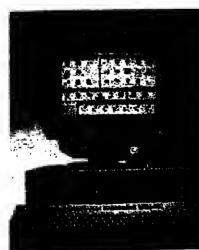
Oo the other hand, the future must lie in convergence particularly as "persocal numbers" and "intelligeot net-works" divorces phone oumbers from particular handsets. Tellingly, the European Commission's Green Paper oo Mobile Communications, pub-lished in April, calls for the "unrestricted" combined offering of services across fixed and mohile networks within the ovarall time schedule for the liberalisation of fixed-wire voice services across the European Union - i.e. by 1998 for

most of the 12 member states. In other words, as fixed-line monopolies wither, convergence with mobile communications will be allowed to proceed. Given the speed of the withering, the all-in cellular and fixed-wire package may be just round the corner - for businesses and consumers.

> **Andrew Adonis** GSM networks: Page five

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he liberalisation of Europe's telecommunications systems has gathered unstoppable momentum. After ears of acrimonious tussles, the ramparts years of acrimonious tussies, and interpreted of the EU's state telecommunications monopolies are exposed, and the walls have been been breached in numerous

It would, however, be a mistake to believe that a fully competitive regime is imminent. In their core voice market the former monopolies are likely to remain entrenched for years to come. Competition will be most intense in the data, mobile, satellite and value-added fields whare the former monopolies' existing resources are relatively less substantial.

Indeed, the building of the much-vaonted superhighways is likely to add to the armoury of the public telecommunications operators (PTOs) as they face the opening of their core markets. Given the expense of extending fibre into local networks - estimated at £15bn for the UK alone – the PTOs are almost certain to to be the principal operators of fibre grids. Until effective inter-connection regimes are established, other operators wishing to offer services across these networks are likely to find it hard to gain fair access.

The key to effective competition is the liberalisation of infrastructure and the establishment, country by country, of a regulatory structure independent of the PTO and its sponsoring ministry. For either policy to be made effective, at least in the early years, the government must be firmly committed to competition and prepared to distance itself from the immediate interests of its PTO.

In Britain, where competition is the centrepiece of the government's telecoms policy, both of the above policies have been pursued. Yet BT commands nearly 90 per cent of the UK market, a decade after the abolition of its monopoly and the licensing

Liberalisation of telecom systems unleashes a wave of competition across Europe

Monopoly walls breached

MOBILE DATA SERVICES

of a competitor. In EU states where goveruments are less enthusiastic about the merits of competition, rival operators will face a steep climb to establish themselves. Nonethaless, they start with three clear advantages over Mercury BT's initial and petition is already a fact of life in sectors other than voice. Almost every EU state has now licensed at least one competitor to the PTO in mobile cellular communications. Barely a year after its launch, Ger-many's Manesmann mobile consortium

In Britain, competition is the centrepiece of the government's telecommunications policy

has at least as many subscribers to Its GSM cellular network as has Deutsche Telekom to its GSM network, and a third German operator has been licensed. in France, the SFR competitor to France

Telecom is thriving. In Belgium, the Netherlands, and Italy rivals launch services this year or next. Some of the mobile operators are known to be interested in moving across to fixed-line voice services

when the opportunity arises.

The satellite and data sectors have also been opened to competition, with rival operators to PTOs now well established. A recent ruling in May by Germany's Federal Cartel Commission on illegal subsidies paid by Deutsche Telekom to its data aubsidiary could prove seminal.

The Cartel Commission found that Deutsche Telekom has been seriously hinder ing competition in Germany's liberalised data market, in particular in the provision of X25 data networks (known as "Datex-P in Germany), through subsidies from its opoly voice and leased lines business.

In all, subsidies of DML9bn were found to have been paid since 1989, the year Germany's data market was opened to competition. The findings have been referred to Germany's federal economics and telecommunications ministries, which will have to decide what measures to take. Meanwhile, Deutsche Telekom claims to have reformed its accounting system to end the illicit subsidies.

Four features of the case stand out, all of which are likely in due course to recur across the EU in the fer larger voice sector. First, the case was brought by an association of independent telecoms operators. VTM, whose members now have about 10 per cent of Germany's DM800m a year data telecoms market. The Cartel Commission would in all likelihood not have taken up the case but for the complaints. Secondly, the VTM association includes a host of national operators - BT, AT&T, and the Swedish, Dutch and Swiss PTOs for starters.

Unlike Mercury in the UK, the big players in the newly liberalising markets will be operators well versed in the tactics and practices of monopolists - and thus, perhaps, better able to seek to expose them

Thirdly, it took five years from liberalis-ation for the claims of unfair cross-subsidies to be decided upon by the German competition euthorities, and even then, the remedies remained unclear. Without dedicated telecoms regulators able to impose inter-connection regimes and accounting separation, entrants will find It slow and exhausting to gain legal redress or perceived unfairnesses in the competi-ive regime. Finally Deutsche Telekom for perceived unfairnes had, by common consent, gone some way

to meeting the complaints even before the

Cartel Commission's ruling.

How fast will competition in voice services develop? It has already started in cross-border virtual private networks (see article on outsourcing, below), and elaborate call-back and other regimes are being established to circumvent monopolies for some international traffic from business districts. But for the voice market as a whole, outside the UK and possibly the Netherlands, competition is likely to have to wait until the 1998 deadline agreed by EU telecoms ministers last year - extended to 2003 for Spain, Portugal, Ireland and Greece, and to 2000 for Luxem-

In practice, the extensions are unlikely to last as long as that. Mr Michel Carpentier, head of the EU's telecoms directorate, told a recent FT conference: "We do not expect that all the countries eligible for derogation will fully use the additional

This has already been our experience

for the initial services liberalisation step.'
What happens after 1998 - or whenever mpetition is formally permitted in each state - depends upon a number of key decisions still to be taken, and in particular on three the extent to which infra-structure is liberalised, the nature of national telecoms regulation, and the structure of regulation at EU level.

The EU'a Bangemann committee of industry leaders, set up last year to examine steps towards the "information society" and due to report to this month's EU

In core 'voice' markets, former monopolies are likely to remain entrenched for years to come

summit, will make a tentative nod in all three directions. Its summary conclusions already published, argue for an acceleration of competition. It calls for "opening up to competition, infrastructures and services still in the monopoly area", a signifi-cant development in the EU's position if endorsed by the Council. It also advocates "removing non-commercial political burdens and budgetary constraints imposed on telecoms operators" - which could be taken as a clear reference to privatisation, the only sure means of keeping the politi-cians out of the month by month operations of the PTOs. The group also stresses the need to speed up the process of standardisation of network architecture to ensure full interconnection of networks

and interoperability of services.

However, the Bangemann group appears to have sidestepped the critical area of EU regulation, concluding lamely: "An authority should be established at European level whose terms of reference will require prompt attention." Such an "authority" could be anything from a USatyle Federal Communications Commissions to a feeble college of national regulators - and its terms of reference anything from promoting competition and settling inter-connection disputes to acting merely as a forum for exchanges of views between national regulators. A recent speech by Mr Karel Van Miert.

the EU's competition commissioner, to 2 meeting of solicitors at S J Berwin, highlights the importance of the decisions still to be taken on regulation. Article 86 of the Treaty of Rome gives the EU tough powers over companies dominant in their markets; but, noted Mr Van Miert, no formal prohibition decisions against PTOs have been made since one against BT in 1982. Why? "My services," ha said, "have en struck time and again by the reluctance of companies - even very big and powerful companies - to lodge formal complaints against PTOs for fear of suffering reprisals." Furthermore, be commented, "lack of evidence" often precludes investigation even of those cases brought, for evidence is invariably hard to gather "in view of the unsatisfactory accounting

practices applied by the PTOs." In other words, accounting separation. and a pro-active regulatory institution armed with first-hand knowledge of the internal world of the PTOs, is the essential pre-requisite for a fully competitive mar-ket. Whether the EU will prove able to establish a regulator equal to the task remains to be seen.

Andrew Adonis

obile data remains the Cinderella of the telecommunications industry. Although there is almost universal agreement that mobile data services will eventually grow into a substantial market, for the moment they are overshadowed by the spectacular growth of cellular radio voice

communications. The failure of mobile data to live up to early expectations bas already prompted some anopliers to re-assess their strategiea and reconsider

In the UK, for example, **Hutchison Mobile Data ceased** marketing its fledgling dedicated data service last antumn and is now expected to offer mobile data services on its recently launched Orange digital Personal Communications Network later this year.

Ovum, the market research organisation, noted in a report on mobile data published last year that early users of mobile data services have experienced "the very real and measurable benefits from mobile data in terms of reduced costs, increased efficiency and improved customer service. Furthermore, they have usually achieved a rapid payback." The report conceded however that, "despite services being available on cellular and public data-only networks, the market has been slow to develop. Data-only networks are facing an uphill struggle to attract subscribers and the number of data users on the cellular network is in the region of 2-5 per cent of the user base."

By the end of last year Ovum estimated thet there were just 325,000 users of mobile data in North America

By the year 2000, there will be more than 9m users of mobile data services In North America and Europe

and Europe with organisations using the services falling into two main categories, vertical markets, particularly the service industries, and early borizontal markets involving industries with a significant service element in some aspect of their business.

Typical applications involve transferring engineering, customer or product information to and from portable computers, or retrieving information

applications include keeping track of truck fleets or railway Despite this relatively slow start Ovum, like most other forecasters, believes that

mobile data will soon take off "by the year 2000 there will be more than 9m users of mobile data services in North America and Europe, This will represent a \$7.6bn market for erminal equipment, network infrastructure, systems integration and airtime revenue." Ovum says the driving

from mobile data terminals

such as meter readers. Other

forces behind the increased adoption of data services are a more mobile workforce; real nser-benefits; a growing demand for computing and communications on the move and a growth in data communications generally. It suggests, however, that

the market is constrained by factors including customer concern over competition between mobile data services technology and the availability of networks, price of equipment and excessively complex and expensive applications, lack of market understanding and belief that perceived risks outweigh cost benefits.

Two of these factors, customer concern about which service to buy and the availability of networks, are crucial.

The mobile data market, while developing competing technologies, is conspicuous for its lack of standards, making potential customers nervous. This situation is exacer-bated by the bewildering array of data delivery systems. In the UK, excluding pager

traffic, mobile data services are offered by cellular telebone network operators, dedicated mobile data network operators and private and public access mobile radio networks - all using incompatible standards and equipment. All of the options have their attractions and drawbacks.

Still a Cinderella sector For example, it is possible to transmit data over an analogue cellular telephone system such as the Cellnet or Voda-

fone networks in the UK, but this is generally more difficult, slower and considerably more expensive than transmiting data over the fixed public switched telephone network. As a result, relatively few business customers use cellu-

lar telephone systems to trans-

For analogue cellular customers who require data communications, one solution is to to use a cellular modern. For example in the UK Vodafone's mobile data service uses a celiular data link control (CDLC) modem enabling customers to transmit and receive error-free data over its network. It is also possible to use a cellular line interface (CLI) with a

mobile phones. Data transmission over the new generation of digital cellular telephone systems, such

standard modem and some

as the GSM and PCN services in Europe which have just started up, should be simpler, faster and more reliable. The GSM apecification

includes a facility which will eventually allow any terminal for example, a portable facsimile machine or a notebook computer - to be plugged directly into the handset. In the US, analogue cellular network operators led by

AT&T's subsidiary, McCaw Cellular Communications, are upgrading their networks to accommodate a new 'open' technology called cellular digital packet-switched data (CDPD). CDPD enables data to be

sent in blocks over existing networks using the 'spaces' between voice traffic. Because it provides the advantages of digital transmission without the need for expanded system capacity, it is very cost-effective option.

For customers who require voice and data communica-

tions from a moving vehicle. a two-way public access mobile radio service such as the UK's National Band Three (NB3) is soon to be available.

NB3 customers buy their own communications equipment and then pay a fixed monthly subscription. They do not pay call charges.

Meanwhile in the US, Nextel, a six-year-old New Jersey radio dispatch service com pany, has been using digital technology from Motorola to create a nationwide network

Potential customers are concerned over competing technologies and the sufficient availability of networks

offering voice, data and paging as well as its established dispatch services.

Nextel's services are expected to compete with the high speed and low cost wireless data links provided by dedicated packet-switched datanetworks such as Ardis - a joint venture between IBM and Motorola - and Ram Broadcasting in the US. Similar packet-switched

mobile data networks, mostly

based on Ericsson's Mobitex technology, have been built or are planned throughout

In the UK where there are three surviving mobile data networks, Cognito, Vodafone's Paknet and Ram Mobile Data a joint venture involving USbased Ram Broadcasting and BellSouth, France Telcom. Swedish Telcom and Bouy-

Although subscriber growth has been slow, Mr John Jarvis, Ram Mobile Data'a chief executive, says interest is acceler-"we are beginning to see an industry with mass market characteristics in terms of size and potential."

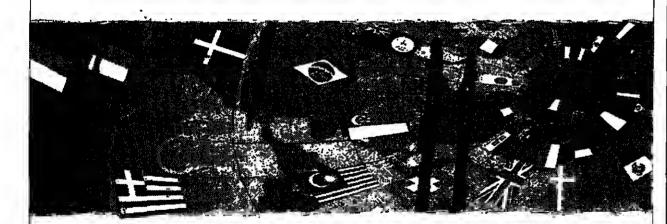
he says. However, he acknowledges that although there is an increasing understanding that mobile data can make a strategic difference to competitiveness, "seulor managers still require education on how to apply the technology to their es and derive commer-

cial advantage."

If the mobile data market does finally shed its Cinderella image, the competing technologies will need to work hard

Paul Taylor

Communications... talk with Philips



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PHILIPS

Andrew Adonis highlights the debate of the merits of 'outsourcing'

Wind blows both ways

ill or will not large organisations - parorganisations - par-ticularly multinational companies - he enticed mto contracting out their telecommunications requirements to a single telecoms group? Put differently, do they regard their telecoms as essentially

strategic or non-core? Upon the answer to those questions depends the realisation of the grandiose visions animating telecom operators worldwide. Alliances, investments and strategies are being predicated on the emergence of a burgeoning market for 'out-sourcing.' The jury will probably be out for a few years. But while the issue is decided, opportunities galore will pres-ent themselves to large organisations - in the public as much as the private sector - seeking new services and a better deal for their existing telecoms.

Most national operators now boast an outsourcing capacity, but the cross-border business is set to be most competitive. Predictably, American Telephone & Telegraph and British Telecommunications, the two most ambitious international

operators, are at the forefront. Last aummer AT&T launched its World Partners' vanture with several Far East ern operators, while BT forged a \$5.3bn alliance with MCL, the second-largest US operator and bitter foe of AT&T in the US long-distance market. Both are aimed et exploiting the market for international outsourcing variously estimated at between 1,000 and 5,000 companies worth between \$10bn and \$20bn a year.

The French and German state operators are also lining up, with an Ecu1bn alliance to provide advanced services to

However, smaller operators are just as fixated. In Europe, three of the smaller national lelecoms companies - those of the Netherlands, Switzerland and Sweden - have clubbed together to establish their own outsourcing joint venture. Uni-

source. Telefonica of Spain is in talks about joining. Separately, Cable & Wireless, the former imperial UK operator with operations in 56 compa nies - is trumpeting itself as the ideal "outsourcing federa-tion", and has established a special division for the pur-

At present, the straws in the wind are blowing both ways. Snrvaya show companies highly reluctant to outsource. Yet contracts are being sought and awarded, and the regulatory regime in Europe is set to give a significant boost to out-A UK industry survey, car-

ried out among 439 large companies last year by the Tele-communications Managers' Association, last year, showed that more than 90 per cent had rejected the idea of contracting out their telecommunications. It found that only 6 per cent had decided to outsource the management of their telecoms. Fewer than balf had considered outsourcing; of those that had considered it, 45 per cent said they had rejected it are very reluctant to describe

Apple Computer has awarded Computer Sciences

contract worth \$7m over two

years, to continue to manag the user administration and

billing system for the AppleLink Network Service

information system linking

computers worldwide via and libraries offering

rogrammes and product CSC, which has 28,500

employees in 450 offices worldwide, is a leader in the information technology

outsourcing. Mr Mojtaba

60,000 users of Apple

information on Apple

AppleLink is the electronic

Corporation (CSC) a new



ts. Pictured Here are equity declera

because telecommunications were strategic to their business, while 44 per cent could see no cost benefit. Nearly one in four feared 'entrapment' by the outsourcer.

Mr Graham Marriner, chairman of the association, said: "Most large compenies still see telecoms as a core activity, and

Mr Mojtaba Ghassemian of CSC:

division, says CSC retains

Apple contract retained

the services manage

over 90 per cent of

New \$7m contract

their requirements in detail to a third party." Despite that, outsourcing is a rapidly growing business in the US, and a number of large contracts have been awarded

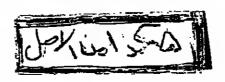
> of the past year:
>
> the UK government has outsourced its long distance interdepartmental network - cover ing 250,000 civil servents in 550

in the EU To take but three

large European developments

offices - to Mercury.
• the Financial Network Association, a joint venture company between 12 national public telecommunications operators, six of them Euro-pean (Mercury, Deutsche Tele-kom, France Telecom, Belga-com, Telefonica and Italcable), has been cleared by the European Commission on condition that its services were not cross-subsidised by revenue from monopoly operations. Other members include MCI, the second largest US long distance carrier, KDD of Japan and Telstra of Australia. The company plans to offer speci-alised international network services to the financial sector. in particular high-capacity net-works for the conveyance of data and image. It will compete

strongly with Swift, the body



Paul Quigley compares tariffs on the GSM digital cellular networks

around the world

The price of progress

s mobile telecommunications become part of the central information highway within businesses both large and small, the technology itself will be of less significance than the cost benefits it delivers.

Yet, while GSM (Global System for Mobile Communications) is taking up an unassailable position as a world-wide technical standard for next generation digital cellular communications, wide variations in tariffs remain.

Connection charges, and monthly access and call - the individual chargeable elements of GSM operators' tariffs - all show etriking differences . Some GSM carriars, operating in markets with limited or no competition, can exploit their largest reductions in prices

domestic market by offering inflated tariffs compared with those of neighbouring countries. Others, in highly competitive cellular markets, are offering low GSM tariffs on a par with existing analogue cellular tariffs.

Where value-added tax (VAT) rates are high, such as in Denmark (25 per cent), Sweden (25 per cent), and Finland (22 per cent), GSM tariffs are countries where VAT rates are lower, such as Laxembourg (15 per cent) or where there is no tax to pay, such as in Switzer-land, GSM tariffs are often

have also reduced peak rate call charges by around 20 per cent, but are still the highest Over the last twelve months more than 60 per cent of GSM operators have reduced prices for peak rate call charges. The

have been made by Comvik in Sweden, and by the two Portuguese operators, TMN and Telecel. France Telecom and its rival network, Societe Fran-

caise du Radiotelephone (SFR)

Belgecom

. Telecom Fieland

· Radiolinia Finland France Teleborn

rische Telekom Mobil

Telecel Portugal

Tella Mobilei Sweden

: SIP Italy PATLEXGSM TAN Portugal

in overall cost terms. In Switzerland and Luxembourg, peak rate call charges have increased by 64 per cent and 55 per cent respectively in the last year, as the Swiss and Luxembourg telecoms authorities make the most of the absence of competition in

rate call charges which were previously much too low. How do tariffs line up for a typical user on the business tariff rate who uses a GSM

telephone within the boundaries of the home network for thirty minutes per day, during the peak rate period, for five days a week, over a forty-eight week year?

French users are likely to be paying the highest prices for

At the other extreme, Dansk GSM. France Telecom's Itineris Mobiltelefon which has more than 70,000 subscribers on its commercial service for nearly Sonofon network, compared two years has the highest over with around 5,000 at this time all cost at present, and a fairly last year, has increased peak low subscriber total of around 150,000.

-30%

SFR tariffs are also high in relation to other countries. Total costs have, nevertheless, fallen on both French GSM networks by up to 20 per cent over the last year.

In Germany, where GSM is experiencing rapid growth (with more than 1.2 million subscribers), tariffs are also

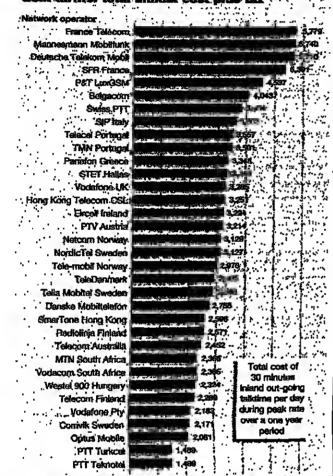
Continued on facing page



Country	GSM operator	Connec'n charge	Monthly access	Call charge. Peak	Cai charge Off-pesi
AUSTRA	PTV Austria	33.25	28.82	0.39	0.25
BELGIN	Belgacom	98.69	45.34	8.38	8.19
DENMARK	Dansk Mebiltelefon	74.31	8.07	0.28	8.14
	TeleCampark	74.31	8.49	0.30	0.15
FREATO	Telecom Finland	6.39	7.99	0.23	0.13
	Radiolinia Finland	5.24	7.86	0.26	0.13
FRANCE	France Télécoco	53.05	37.89	0.61	0.38
	SFR France	53.05	37.89	0.56	0.36
GERMANY	Deutsche Telekom Mobil	33.81	36.41	0.62	0.25
	Magneseston Mehittenk	35.37	35.37	0.63	0.25
CRETCE	Papalon Greece	86.32	34.53	0.32	8.16
	STET Helias	86.32	34.53	0.32	0.16
HONG KONG	SwartTone House Kong	112.10	45.59	0.27	0.13
RUMA AUMO	Henn Kong Telecom CSL	89.68	103.69	0.27	0.17
HUNGARY	Westel 900 Kungary	209.74	22.65	0.23	6.14
RELAND	Ercol keland	63.74	25.50	0.32	0.22
TALY	SIP Italy	108.57	23.30 27.48	8.36	0.11
IDCHEOURS	PAT Lucism	75.57	50.38	0.45	0.45
MORE/AY	Tole-mobil Norway	9.82	4.91	0.33	0.25
	Notcom Norway	0.00	3.93	0.35	0.29
PORTUGAL	This Portugal	41.80	32.23	0.36	0.16
	Telecel Portugal	45.32	32.73	0.37	0.19
SOUTH AFRICA	MTN South Africa	17.73	29.55	0.24	0.14
	Vodacom South Africa	17.73	29.55	0.24	0.14
SHEDEN	Toliz Mobital Sweden	33.54	6.71	0.30	0.13
	Comvik Sweden	32.98	11.18	0.22	0.12
	NordicTel Sureden	39.13	10.62	6.32	0.16
SWITZERLAND	Swiss PTT	48.61	39.50	0.46	0.30
TORREY	PIT Turkcel	168.63	3.93	8.15	0.15
	PTT Telemotet	168.93	3.93	0.15	0.15
K	Vodatou	85.02	32.51	0.33	0.13
AUSTRALIA	Telecom Australia	40.44	21.78	0.30	0.15
	Optes Mobile	28.00	21.78	0.25	0.12
	Vedalone Pty	40.04	21.78	0.26	0.13

France Telecom Network Services





Cost-savings drive 'outsourcing' trend

Continued from previous page

jointly owned by international banks to manage their main

network functions. In April a ground-breaking contract, worth up to Ecu500m a year, was awarded by 30 of Europe's leading multinationals to British Telecommunica-tions and an alliance of AT&T and Unisource to build a pan-European telecoms network linking the facilities of the 30 companiee. The 30, which include Rank Xerox, ICI, Philips, ABN Amro and ABB, have formed a European telecoms association aiming to gain tariff reductions and upgraded services by acting jointly to provide for their telecoms

requirements.
The prospect of savings of up to 40 per cent on the compa-nies' existing bills for crossborder European traffic was a key stimulus to the association. Those savings, in turn, depend upon a vital aspect of the existing EU telecoms regime, which permits competition between carriers for private networks, although monopolies for voice traffic will continue until at least 1998 on public networks. The association's network qualifies as private because companies will not be allowed to communicate

with each other across it. The distinction is an uneasy attempt by the European Commission to encourage the development of pan-European networks without undermining national telecoms monopolies before state companies have time to adjust to competition.

The effect, however, will be to give a significant boost to outsourcing via the franchising of private networks. Significantly, the European associa-tion draws on US experience, where a group of large compa-nies — some of them members of the European group - oper-ates a pan-US private network to provide enhanced telecoms facilities at special rates.

The scope for savings is considerable. A telecoms "bench-marking" report carried out this year by the UK's Trade and Industry Department found that while public network charges were broadly comparable in the US and larger European states, the

Thirty multinationals are linking up in a new pan-European network

price of high-capacity leased private circuits was vastly more expensive in Europe.

Reuters, which has the largest private telecoms network in the world, claims that it would save 90 per cent of its outgoings for leased lines in Europe if the equivalent network were in the US. As the DTI noted: "Sucb high costs not only increase the costs for business, they also suppress business activity by making it uneconomic to offer certain types of service or to carry out

some business activities." At the end of the day, cost savings are likely to 'drive' outsourcing. The potential for them is considerable - for the proactive customer.

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From blueprint to reality

Within five years a new generation of telecommunica-tions satellites is likely to provide a truly global mobile telephone service, using light-

weight pocket-sized handsets. Already, plans for satellite communicatione mobile systems such as Iridium, Globalstar and Inmarsat-P have become a hot topic for discussion in the industry.

Geo-stationary satellites play a key role in fixed and mobile telecommunications networks, providing voice, data and video links over continents and oceans, maritime and aeronautical communications where land-based systems are not an option and global positioning and tracking services for mili-tary and commercial custom-

On both sides of the Atlantic they are increasingly used to provide cost-effective two-way Vsat (very small aperture terminal) satellite voice and data telecommunications services to businesses. Datamonitor, the market research organisation. expects European satellite husiness service revenues to grow from about \$140m in 1991 to \$365m in 1997 - the fastest growing segment of the satel-

lite communications market. Satellites can also provide telecommunications facilities to geologists, journalists, aidworkers and others in remote regions of the world using briefcase-size portable terminals, such as those supplied by Inmarsat, the London-based 74member International Mari-

time Satellite Organisation. Immarsat uses five operational satellites to provide ser-

Globalstar

vices to 40,000 cnstomers, tridium is likely to face most of them fierce competition from in its specialist maritime and aeronautical

Geo-stationary communications satellites usually operate at an altitude of around 22,300 miles. In contrast, most of the low-earth orbit (Leo) satellites which operate at between 400 and 1,000 miles.

Over the past few years, about half a dozen Leo-based systems have been unveiled by international consortia. As Mr Robert Rosenberg of the Washington-based Insight Research organisation points out, "it doesn't take a lot of money to slap a proposal down."

Turning these blueprints into reality is likely to be considerably more difficult and as KPMG Peat Marwick concluded in a recent study for the on finance and radio spectrum probably mean that only two or three of the systems will

ever reach the launch stage." Among the front-runners are the \$3.4bn Iridium project, conceived by Motorola, the US-based electron-

ics group, and Globalstar project developed by Loral, the defence

Iridium will be based on a "constellation" of 66 small Leo satellites weighing 1.500 lbs ringing the earth at a height of 420 nautical miles. Handsets for use of the system will be dual-mode, also allowing calls to be made on the local cellular

network where available. When a call cannot be routed via the terrestrial cellular network it will be relaved to the nearest satellite, transferring between satellites if necessary before being beamed down through one of 15 to 20 terres-

this year. However, Iridium is likely to face fierce competition from Globalstar which has secured \$275m of funding from an international consortium that includes AirTouch Communi-Qualcomm of the US, Alcatel of France, Dentsche Aerospace, Vodafone of the UK and Hyundai Electronics of Korea.

public telephone network or

Last Angust Motorola

announced that after years of

funding the research itself it

had raised \$800m from an

international consortium,

including Raytheon, Lockheed

and Sprint of the US, Bell Can-

ada and a consortium of 18

Japanese companies including

Sony, Mitsubishi and Kyocera

as a first stage towards financ-

ium, Motorola will be responsi-ble for designing and building

the entire network and has a

\$2.8bn contract to maintain

and operate the system for five

years after its commercial

debut in 1998. By then, Moto-rola's stake in the project is

expected to have fallen from 34

The financing agreement

appears to have given Iridium a lead in the race to build a

satellite-based mobile tele-

phone system based on Leo

technology once the US Fed-

eral Communications Commis-

sion approves licensing later

per cent to 15 per cent.

As prime contractor for Irid-

ing the Iridium project.

direct to its destination.

Globalstar will use 48 Leo satellites orbiting at 750 nautical miles. It has been designed by Loral as a low-cost global access satellite-based mobile telephone system. Globalstar telephones will be similar in size and cost to digital cellular

trial gateways connected to the telephones and will be able to make and receive calls anywhere in the world.

A key feature of the pro-

posed Globalstar system is that all calls will be set up and processed on the ground by a distributed gateway system. Loral claims the ground processing not only permits a more efficient, less complex and cheaper satellite network, It also uses, rather than bypasses, existing communications carriers.

Because Leos are closer to earth than Geo-stationary satellites, they will work with much less powerful - and therefore smaller, lighter and cheaper equipment - Globalstar's dual-mode handset is expected to cost about \$750.

But there are also disadvantages. Leo satellite technology is costly and largely untested. The satellites themselves will have a relatively short life span - between five to eight years for Iridium satellites compared with 10 years or more for conventional Geos.

In addition, so as to provide reliable global coverage many more Leos are needed than would be the case with their higher-flying counterparts. This also means a large number of launches, and an extended roll-out period.

In an effort to overcome some of these technical and other problems and meet the concerns of some its members Inmarsat, which had originally planned to build its own Leo system, has opted instead for a system based on a new intermediate circular orbit satellites orbiting at 10,000km.

The Immarsat-P system will cost \$2.4bn and be developed hy an affiliate company, at least 70 per cent owned by

communications is a truly global hand-held

phone service. It has come a step clo

tridium system overview

with financial backing for Motorola's Indium satellite telecoms system - described as the world's biggest private sector space project, costing an estimated \$3,4bn. iridian will be based on a 'constellation' of 66 satellites weighing 1,500 lbs, ringing the earth at a height of 420 nautical miles.

Mearrwhile, Mr Bill Gates and Mr Craig

Inmarsat and its signatories,

which will also invite outside

investment. It will use 12 to 15

satellites and be operational by

To supplement revenues

from voice traffic most of these

new satellite systems also plan

to provide facsimile, paging,

computer data and position

This will bring them into

direct competition with

another group of network oper-

ators who plan to use "little"

Leos to provide non-voice tele-

communications services - and with Teledesic, a \$9bn satellite

communications project

backed by Mr Bill Gates, chair-

man of Microsoft, and Mr Craig

McCaw, of McCaw Cellular

determination services.

1999 or 2000.

McCaw, two of America's richest technology trepreneurs, recently set out on an embitious space odyssey: the creation of a \$9bn global satellite communication system by the year 2001. The two

billionaires, each using 'a few million dollars' as seed capital, aim to launch a fleet of 840 amail satellites into orbit about 400 miles above the earth. The Teledesic sy would offer wireless dats, video and voice communications services worldwide.

16m by 2012.

Among the prospective no

work operators, iridian

expects to have 1.5m subscrib-

ers by 2002 while Globalstar

expects to be collecting \$1.5km

in revenues from 2.7m sub-

scribers by the same year, with

subscriber number growing to

Nevertheless, some analysis

question whether Leos make

economic sense as a mass mar-ket votce telecom delivery sys-

tem in competition with much

cheaper terrestrial-based net-

works, while others caution

that there are still formidable

non-economic obstacles to be

overcome, including the verse

issue of who should license.

and regulate these new global

telecommunications services.

Communications, the No 1 US

little Leos to be put into orbit

435 miles above the earth. The

system, due to come into oper-

ation by 2001, is designed to

deliver high capacity data.

video and voice services world-

wide using receivers and small

antennas installed in bomes

Just how large a market

there will be for these voice

and other services by the end

of the century is the subject of considerable debate. KPMG's

study suggested that the value

satellite dellvered mobile

phone services will reach

Ecu10-20bn a year within the

and businesses.

Teledesic's plans call for 840

cellular telephone company

Andrew Adonis on a contrast in paging markets

Europe lags behind

Until recently, Europe's paging industry was at a loss to know how to counter the relentless rise of the mobile phone. The main casualty has been the consumer market, barely tapped by the pager, but the business sector has also lan-

Three explanations are put forward - technological, cultural and commercial.

With its limited versatility, the pager is supposed to be inherently inferior to the mobile phone and destined for the museum. The fate of *oneway cellular" telepoint services, such as Hutchison Whampoa's "Rabbit", wound up last year, are cited to under-

Culturally, Europeans are often claimed to be naturally averse to indirect means of communication. On the commercial front, most of the companies operating paging net-works derive the bulk of their "mobile" revenues from their cellular phone businesses, where subscribers are far more numerous and margins higher. So, it is argued, paging inevita-bly gets pushed to the side.

The technological and commercial arguments are valid up to a point. Many of Europe'e paging operaters are indeed obsessed with mobile telephony; and in the long term. technology will doubtless kill paging. But given the high price of cellular phones, both to buy and to service, the paging obituaries appear to be rather premature.

The contrast between the US and Asia's booming paging markets and the lacklustre European scene ought at least to give pause for thought.

With 760,000 subscribers, the UK is Europe's largest paging market. CIT Research, the London telecoms consultancy, predicts that across western Europe the paging market will increase from 3.1m to 5m over the next decade. The US, by contrast, has about 21m pagers. Singapore has more than 600,000, Hong Kong 1m, Taiwan 1.4m and Japan 7.7m.

According to CIT, the Asia-Pacific region as a whole has 18.94m paging subscribers, which it estimates will more than double within a decade. China is the largest growth market, but all countries are likely to see rapid growth.

"It's largely cultural," says Mr Duncan Scott, CFT's mobile analyst He compares Hong Kong with Australia which, proportionately, has far fewer subscribers and a paging mar-ket resembling that of the UK. However, the experience of

Sweden over the past year cautions against the cultural alibi. A little over a year ago Mr Jan Holmgren, paging marketing manager for Telia Mobiltel, an offshoot of the state telecommunications operator Televerket, launched a campaign to sell pagers in the high street and shift charges from a monthly rental to a per-call price charged to the caller. It has been a startling success. despite Sweden's 10 per cent

level of cellular penetration. The crucial thing was to study the telaphone market, not existing mobile markets, says Mr Holmgren, an ex-Motorola executive. TM market research showing a potential paging market of 19m out of Sweden's 8.5m population. "But people wanted a charging structure more attractive to the consumer.

Nearly 100,000 pagers have been sold through retail outlets in the 14 months to May. Pagers are for sale on the Swedish high street for as little as SKr1,000 (£87), with no con-

The number of paging subscribers in the Asia-Pacific region could more than double within a decade

nection fee. Between 9am and 4pm the calling charge is SKr6 (about 50p) and at other times and all day at weekends, it is SKr1.5 - a huge price differential with mobile phones.

The new regime has had almost as great an impact on the husiness market as on the consumer market. TM's tradi-tional subscriber network has grown from about 70,000 to 102,000 since last year's launch of the "calling party pays" (CPF) option, while a proportion of the new CPF customers are small businessmen.

Other European operators are studying the Swedish experience. Portugal, Finland, Swirzerland, Ireland and Germany are either about to launch a "CPP" service, or seriously

considering doing so.

In the UK, Mercury Paging —
the third largest network operator after British Telecommunications and Vodafone - has taken a tentative step with the launch in March of a quasi-CPP service. Customers buy their own pagers for about £70, after which callers pay to leave messages at Mercury's "0881" premium rate - 39p a minute at peak rate, 25p at other times. But customers still have to pay a monthly subscription - £8.50 for national coverage,

standard rental-plus-calls alphanumeric option.

"Already 2 per cent of calls into our bureau are on the new service," says Mr Chris Neary, Mercury Paging's managing director. "It gets over the initial perception that paging is expensive - for busine much as consumers." With growth in the UK paging market of only 5 per cent last year he views the move as essential to restoring the late-1980s record of about 20 per cent.

However, large monthly rental-plus-service charges based on zonal divisions remain the norm in the UK except for Hutchison, which has only one zone for the whole country. Vodapage and Mercury have three zones. BT has six, its tariffs guide resembling a railway timetable.

Pagers come in three sorts: • the simplest and cheapest is the tone-only radiopager. which bleeps to alert its owner that someone wants to get in touch with him or her. BT's option costs £10 a month to rent and use for one zone - or £6 if you own the pager.

• the numeric radiopager

uses a small screen to display numbers - the phone number of the person who wants you to call, or a coded message. It costs £18.50 a month to rent and use with a hurean service from BT (one zone) - or £14 on the purchase option.

• the alphanumeric radiopager, which has a small screen showing text and numbers. typically up to about 400 characters though some display more. With a bureau service this costs £28 a month to rent and use from BT - £20 on the

purchase option. However, published price hsts do not have a lot of meaning in the corporate environment. Large husinesss users taking 100-plus pagers - can get "up to 35 per cent off pub-lished prices," says one marketing director.

The main development in the UK market has been the reduction in the number of opera-tors, down from seven to four in three years. BT has more than 50 per cent of the market, with 418,000 subscribers; Vodapage - Vodafone's paging sub-sidiary - has about 200,000 including subscribers to Aircall; Mercury has about 130,000, and Hutchison 30,000.

The most popular recent service innovation is the personalised bureau answering service ("Hello, this is Joe Blogg's office ..."). Even the local plumber can now pretend he has a 24-hour secretary.

We call it the Global Digital Highway."

It will improve your business communication worldwide.

It will improve your business worldwide.

Variations in GSM costs

Continued from previous page

high. Mannesmann Mobilfunk, the D2-Privat network operator, and Deutsche Telekom Mobil's D1 network have main tained high tariffs lavels bacause of overwhalming demand, but D2 is down overall while D1 is up on last year.

Vodafone of the UK has reduced tariffs some 17.5 per cent in the face of growing domestic competition. In Italy, state operator, SIP continues to exploit its monopoly position ahead of the award of the second GSM operator licence this year, as does Belgacom Mobile in Belgium.

There are other variables affecting overall GSM cost.

Unitisation' - the way a call's duration is divided into time slices - varies from periods of one second for some operators to sixty seconds for others. Unitisation of calls is an area where GSM operators can differentiate themselves from

In addition, some GSM operators charge a 'multiplier' based on a percentage of the particular type of call made, such as whether it is a domestic call or a cross-border 'roaming' call. The cost of GSM terminals can vary widely, too, from one country to another.

New GSM services this year have been set up or are being opened in Jersey, Latvia, the personal communications Malaysia, the Netherlands, revolution.

Spain, and the United Arab Emirates.

Second operators are also starting services in countries where there is already a GSM operator in the market. These include Germany (with the launch at the end of May of the DCS 1800 network, E-Plus) as well as Cyprus, Hungary, and

Italy.

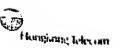
Beyond 1994, it is expected that Russia and China will launch regional and provincial GSM networks, and GSM off-shoot, PCS 1900, is expected to make big inroads in the US digital cellular market. In the meantime the mass consumer market is being invited to join











Route to paper-free trading

mee the mid-1980s a new concept - 'electronic commerce' - has crept into the lexicon of business. The widespread use of personal computers and their growing integration with telecommunications systems has begun to made paper-free trading a real possibility.

Two business tools, electronic data interchange (EDI) and electronic mail, are central to the operations of electronic commerce - both are value added network services which allow their users to improve business efficiency by substituting electronic forms for their paper-based counterparts.

EDI enables two organisations, usually customer and supplier, to exchange business documents using standard electronic forms and their own computers linked through a service provider who acts like a central post office, routing the documents and messages to their destination and bandling any data translation' needed between different computers or message standards.

Generally, EDI is a faster, cheaper and more reliable means of exchanging information than the traditional paper-based business transaction chain and it provides other benefits including setting up an 'audit trail' which enables an organisation to check and validate electronic documentation.

The state of the state of

These benefits have spurred growth in the use of EDI in the US, where it originated, and more recently Europe, particularly in the UK. Ovum, the technology consultancy, estimated last year that the EDI market in Europe, including customer software and support, will triple in size from just under Ecu200m (\$232m) in 1992 to about Ecu600m (\$696m) in 1997.

The UK and the Netherlands are the most mature EDI markets in Europe although France, Spain, Sweden and Germany are catching up fast. Among the service providers the market leaders in Europe are IBM and General Electric Information Services (Geis) which have pan-European networks

In the UK, the market is dominated

(INS) with an estimated 55 per cent market share. INS was jointly owned by Geis and ICL until recently when Geis bought out its partner - a move which industry analysts suggest signals the growing consolidation and internation-

alisation of the EDI market. INS provides three main EDI 'communities,' INS-Tradanet, the main service for retailers and their suppliers, Brokernet for the insurance sector and Fleetnet for the fleet leasing-management sector. The biggest, INS-Tradanet, han(SMEs) continue to show much more resistance than was expected to the adoption of EDL

Part of the reason for this may be that the advantages of adopting EDI for the large organisation with a high volume of regular transactions are relatively tangibla and easy to justify on the basis of cost savings. However, the advantages for the smaller company are

less immediately obvious. As Sema's Denise Fellows, said at a



in Europe and the US, the electronic data interchange market is growing steedily. EDI is ng essential among suppliers seeking business with the larger retail chains

dles more than 6m documents a month. Between 8.500 and 10.000 companies and other organisations in Britain are estimated to be using electronic trading and the number has been growing by about 20 per cent a year. But there is still much room for growth.

Other research, highlighted by Denise Fellows, EDI Business Manager at Sema, the leading systems integration group, shows that even among companies which have signed up for EDI only a small percentage are trading with more than 100 companies and a very large percentage are trading with less

Ovum's latest Vons Markets, Europe report notes that "the EDI market in Europe continues to grow steadily," and that, "most large organisations are now using, implementing or trialing EDL" by International Network Services However the report also noted that

recent conference: "Over 70 per cent of EDI-users in the UK are 'doing' EDI not because it has been planned or even because they want to, but purely because they have been forced by a major customer into using EDI to replace the current method of transfer-

In future, she believes the growth of EDI will be driven by two separate types of enterprises - organisations which take on EDI as "an enabling technology" because they are adopting new business practices such as central-ised purchasing, and large organisa-tions including nationalised industries where people are looking at EDI because they feel they can use EDI as a

lever to introduce business change. Other changes are also under way. In the past, most EDI traffic has been based on industry specific or propri-

small and medium-sized enterprises etary application protocols. According to one estimate there are 26 different versions of standards in the world, including 15 in Japanese.

However, most new user-communities are basing their services on Edifact (an international standard) - and many existing communities using proprietary application protocols are moving towards Edifact. By 1997, Ovum predicts that 90 per cent of EDI traffic in Europe will be based on the Edifact standard compared with less than 50 per cent last year.

EDI users are also becoming increasingly sophisticated, Originally, EDI tended to be used only for basic transactions such as ordering and invoicing. However, as familiarity with electronic trading has grown, so has the range of information transmitted over EDI links and the number of different document types has grown to around 200.

Unlike EDI, electronic mail is a non-interactive service based on sending computer originated messages across a computer or telecommunications net-

Single terminals connected directly to public services account for almost 90 per cent of e-mail traffic in Europe, but by 1997 Ovum estimates this will have dropped to 20 per cent with the remainder accounted for by gateways to pri-

vate e-mail systems.
In the US, according to a survey by the Virginia-based Electronic Messaging Association, the number of e-mail users is rising by 17-19 per cent a year and, as in Europe, a growing number of companies are extending their internal e-mail systems to customers and sup-

pliers using service providers.

Meanwhile, the Clinton administration set out an aggressive timetable for the implementation of electronic commerce in government in a policy statement last autumn.

All US government departments will be required to have systems in place to handle electronic documentation by 1997. The move will affect tha more than 300,000 companies - including for-eign-owned businesses - which trade regularly with the US government.

John Williamson reviews the facsimile market

Soaring popularity

the long-haul arm of the giant travel company, makes extensive use of facsimile to service its network of 363 agents and communicate with numerous overseas hotel groups and representative offices.

Like many other high volume users, the company has found that a value-added fax service – in this case, BT's TeatureFax' – can take the sweat out of getting its messages across.

With an estimated 46bn pages of information sent and received in 1993, fax is now the world's most important text-based messaging technology. The popularity of the medium is based on its ability to handle a free mixture of handwritten or printed text, graphics and It also helps that terminals

conform to a set of international standards to guarantee any-to-any message transmission, and that the operation of a fax machine requires only basic manual dexterity. According to an AT&T estimate, 15 per cent of business telephone calls are now fax calls.

In some respects, however fax has become a victim of its own success. Traffic levels are now so high in some industries that people have to queue to use machines. and called numbers are often engaged. Manual fax erations can also be laborious for businesses which have to circulate the same information to rundreds or thousands of destinations and installing banks of additional fax machines and telephone lines to spread the load can be prohibitively expensive.

Servicing a large fax mailing list and verifying the success of individual message delivery can be a logistical nightmare.

Value added tax network operators offer a variety of solutions to the problems faced by business "Broadcast" fax involves

users such as Thomas Cook sending a document with a distribution list to the operator's service centre Computerised facilities then forward the document

to servers controlling

which in turn transmit the document virtually simultaneously to all the intended recipients.

This kind of service usually generates an individual header for each fax. automatically retries engaged numbers and provides a transmission record for the customer. Another value-added offering is "store-and-forward," with customers specifying the time of document delivery. This enables texts to be held over in a computer for transmission at off-peak call charging periods as well as delivery of individual

Both broadcast and store-and-forward fax save time and money, and release

Worldwide, more than 46 billion pages are faxed each year

ges at pre-arranged

a user's fax machine to receive urgent incoming

messages. Newer services include "follow-me," in which travelling business executives dial into a fax centre to have their messages re-routed to different locations; and fax-on-demand, in which information is retrieved from a database in fax form by callers using a telephone keypad to specify the type of information required.

Fax recognition is similar but employs special software to interpret requests for information from marked-up standard forms or typed text.

In Japan, a centre for innovative fax systems, personal fax retrieval services have been established for some time. In these systems, a caller uses a public fax machine to lodge a message in a numbered electronic mailbox for subsequent retrieval at any fax machine designated by the caller a correspondent According to Vans Markets Europe, a continuously updated market research report by the UK's Ovum telecoms consultancy, the supply side of the European value-added fax market is

types of company - the public telecommunications operators (PTOs) and the niche suppliers.

Ovum says the market leader in 1992 was Cable & Wireless with an estimated 16 per cent share of the business. Other big suppliers in that year were AT&T. whose EasyLink pioneered valued-added fax service in the region at the beginning of the decade, and BT. Onisourco, Italcable, France Cable at Hadio, Deutsche

Telekom and Sprint. While the larger niche players operate their own X.25 pocket data networks, their smaller counterparts rely on the public switched telephone network (PSTN), in some cases simply

re-selling PTO services. The niche suppliers hail from a variety of backgrounds. Some, such as Vital and Graphnet, have their origins in data-coms and messaging. Others, such as Ascom and Comwave, started out as telecom

equipment makers. In the short term, the commercial prospects for value added fax in the region look bright. Ovum estimates European service providers earned about Ecu36.3m in 1992 - a figure that is

projected to grow twelve-fold to Ecu436m by 1997. The market has four main drivers: the present day ubiquity of fax machines; the relatively high price of "smart" fax machines which replicate some of the services of the value-added operators; keen competition in the market; and the desire of large fax users to cut costs. However, high levels of growth are unlikely to be sustained indefinitely. A challenge to third party fax services is evident with X.400 e-mail, already preferred by many multi-site users for internal communication.

More serious competition will arrive in the form of integrated electronic messaging. An example is the addition of fax gateways to local area networks.

Such technology eliminates the inefficiency of converting electronic output to paper before its electronic transmission over fax lines.

Advances in packet switched data services

characterised by the

Lower-cost options

 or many types of enter-prise, buying-in a packet switched data service is attractive proposition. With each user's traffic sharing a service provider's network facilities, the packet option can be a low cost method of communicating

Contracting-ont the provision and management of the service also frees user resources and allows the organisation's staff to concentrate on the core activity.

Networks based on the internationally-standardised X 25 necket switching proto col bave been particularly successful in the industrialised economies over the last two decades.

Apart from the transfer of general in-house data between simple terminals at different corporate locations. X.25 is widely used for applications such as electronic mail, electronic data interchange, database access and information retrieval, and a broad spectrum of message transactions including automatic teller machine operations and credit

The French Minitel Videotex service, which logged 1.1bn calls in 1993, also runs on an X.25 network.

This all adds up to large sums of money for the tele-phone companies which operate public packet switched networks and the independent providers of managed data network services. According to Vans Markets Europe, the continuously updated report from the UK's Ovum telecommunications consultancy, the two categories of packet operator generated business worth Ecu2.65bn in Europe alone in

While Sprint claims to be the world's largest packet network operator, Ovum says that the three European market leaders are networks operated by national telephone companies - France Telecom's Transpac, Telefonica's Iberpac, and Deutsche Telekom's Datex-P. Ovum estimates that BT's GNS has been eased out of fourth place by the Unisource combine of PTT Telecom Netherlands, Tolia of Sweden and the Swiss PTT

Among the biggest non-telephone company packet operators in the region are the airline service organisation, Société Internationale de Télécommunications Aéronautiques, IBM, GEIS. Sprint and AT&T/Istel. Ovum forecasts a European X.25 value added network (van) market worth Ecu4.8bn by 1997.

Alan Taffel, vice president of marketing at Alcatel Data Networks, a big X.25 system vendor part-owned by Sprint, attributes the success of the technology to three main fac-

Firstly, its designers specified comprehensive error checking and management capabilities, allowing it to run over virtually any type of network, including those with poor quality links - "we used to joke you could run an X.25 network over barbed wire. says Taffel

Packet options liberate user resources, reports JOHN WILLIAMSON

Secondly. X.25 has built-in protocol conversion allowing to connect dissimilar types terminals. Thirdly, it has an access control mechanism for security purposes.

The price paid for the ability to run over poor quality lines is that X.25 typically operates at modest speed. Although, as Taffel points out, X.25 equipment can operate at up to 2mbits/second much of the installed base has a speed ceiling of 64kbits/s.
Given that the quality of

transmission links in many networks has improved dramatically since X.25 was first designed, some experts now regard its error correction capabilities as an unnecessary overhead, and consider the technology unsuitable for high volume, high speed applications such as local area network interconnection.

"The technology really is too slow for many applications," argues Simon Goodwin, network marketing manager at AT&T in the UK. "It's rock solid but very ineffi-

Part of the gap between packet performance and corporate requirements is filled by frame relay. This is essentially a stripped-down version of X.25 which, without heavy error checking overheads, can run at speeds up to 45mbits/s. Even on a 64kbits/s link, data throughput with frame relay can be 10 times higher than with X.25. At present there are around 10 frame relay network operators in the US. many offering international connectivity, 17 in Europe, eight in Asia, five in Canada, three in the Middle East and

one in South America. In practice, frame relay is the first of a clutch of very high speed packet-based services and technologies. One fast packet service originated in the US is the Switched Multi-megabit Data Service (SMDS). This appears in such networks as the Super Joint Academic Network (Superianet) built by BT to link about 50 universities research establishments and hospitals around the UK and to carry a mixture of voice, data, image and video traffic. Both frame relay and SMDS can be run over asynchronous transfer

mode (ATM) networks. Synoptics, a leading ATM vendor, says the technology is optimised for emerging, computer-intensive multimedia

applications The commercialisation of ATM could herald a big shift in the structure of the tele coms industry overall, ATM: Vendor and Operator Strategies, a recent report from UK telecoms consultancy, Analysys, suggests that power will shift to corporate users who are already installing ATM and concentrating functionality and added value inside the

and public networks. "The player with the most to lose from ATM is the telecoms operator," comments Peter Aknai, one of the report's authors. "ATM threatens to reduce the operator's dominant role in the telecoms value chain to that

of a commodity bit carrier." The fast packet, multimedia age will be equally challenging for the independent van operators - "if they can't transport that volume of data, if they can't connect the applications, then they are going to be marginalised," says Don Eungblut, managing consultant and a specialist in network services with PA Consultants.

John Williamson is senior editor, Global Telephony

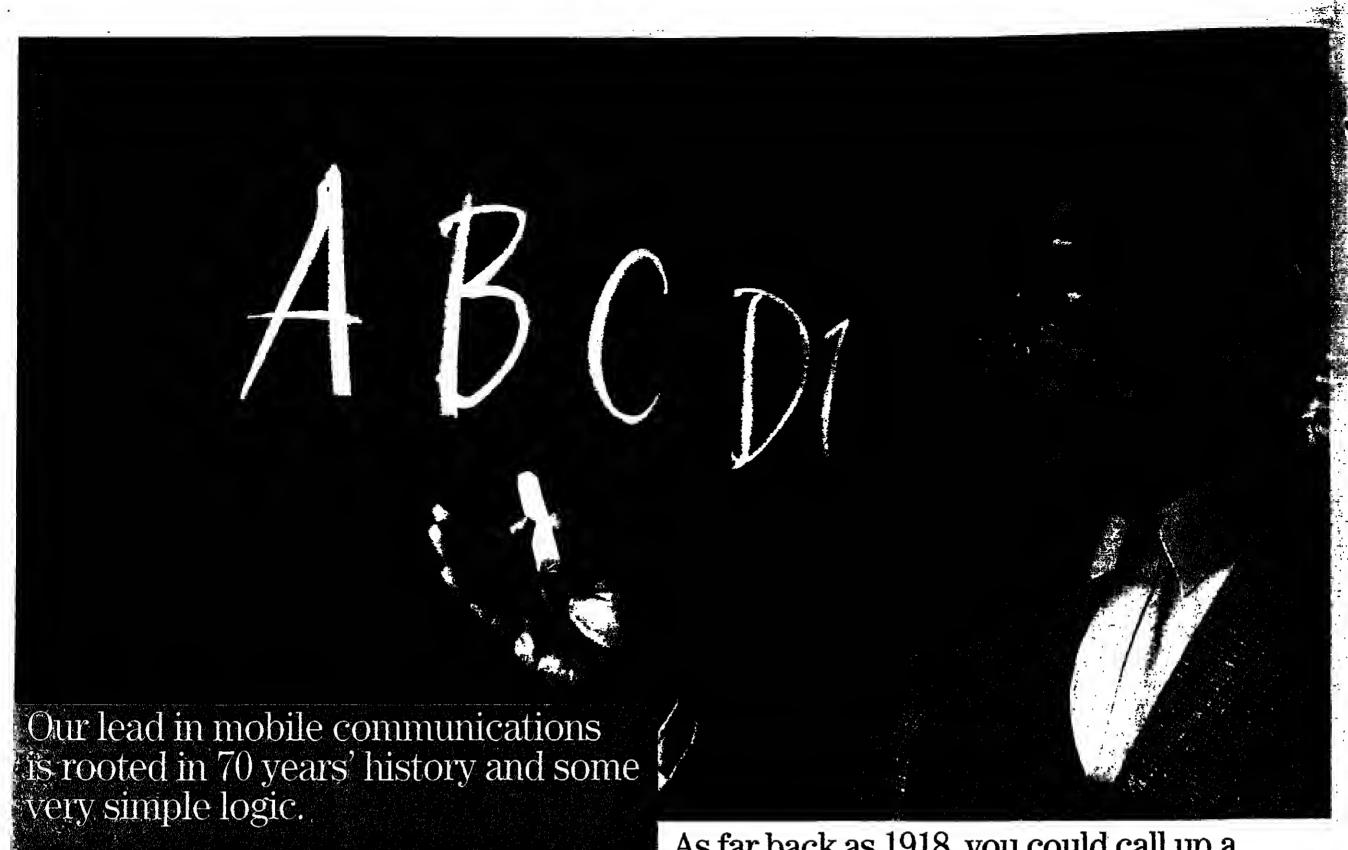




Your company is only as efficient as its internal and external communication, and that's where the Global Digital Highway is able to help you. An information path that circles the world, the Global Digital Highway allows Cable & Wireless Business Networks to provide you with uninterrupted, cost-efficient communication throughout your whole company. Take a moment to think about your communications; imagine a radical improvement; imagine shorter lead times; better research and development; more coherent global marketing; now contact your local Cable & Wireless company.



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As far back as 1918, you could call up a friend from a moving train in Germany. In

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Tiger

any acres of newsprint have been devoted to the wonders of tha impending US interactive multimedia revolution, which will supposedly ransform Americans' home lives. Many telecommunications experts think that US businesses will be the first to want, and benefit from, some of the new services.

And, since US telephone companies are leading the world in the deployment of the sophisticated new communications networks needed to provide these services, American business could gain a global competitive edge by early adoption of multimedia offerings.

Perhaps the most obvious example is video conferencing. Equipment already on the market allows desktop collaboration that is, staff in different locations working together to manipulate data, while simultaneously holding video telephone conversations. Their desktop computers need only to be linked by the twisted copper pair wire traditionally used to link telephones, though they also need to have narrowband ISDN, a relatively toexpensiva technology which allows ordinary phone lines to transmit not only voice but video and data signals.

ISDN is widely regarded as an intermediate technology, which will sooner or late be superseded by broadband fibre optic/ coaxial cable networks allowing huge Martin Dickson on the impact of the interactive revolution

Multimedia may give US an edge

amounts of data to be send down communications lines But ISDN and falling prices for desktop

video conference equipment may at least establish a basic market for video conferencing services. The quality of desktop video conferenc-

ing pictures is still far from perfect (about 15 frames a second, compared to 30 frames for full motion film). But Mr Andy Grove, chief executive of microprocessor giant Intel, which has developed its own, relatively inexpensive video-conferencing sys-tem, reckons that the industry will get to 30 frames a second in a couple of years.

He sees a substantial business market developing, since the video conferencing can save both time and air fares. "The cost of this thing is demonstrably saved by one

US local telephone companies are now upgrading their systems to allow a much greater flow of multimedia services to business customers and home consumers.

Bell Atlantic, the regional telephone company serving states from New Jersey down to Virginia, recently announced that it had chosen AT&Ts Network Systems equipment division as project leader and systems integrator for its \$11bn broadband network. Pacific Bell, which serves the Californian market, has chosen AT&T for

a similar role. But despite these The structure of the multimedia hold moves, the structure of the mul-In it, remain far from clear timadia industry, and the telecommn-

nications companies' role in it, remain far from clear. At present, America's local telephone companies - notably the seven Baby Bells spun off from long-distance carrier AT&T in a 1982 anti-trust court settlement - have virtual local monopolies on telecommunications business in their areas, and charge long distance carriers like AT&T hefty charges to complete the

Bell Atlantic last year won a court case giving it the right to provide its own video

Following its lead, many other local telecommunications companies now have similar cases pending before the courts. But

den by law from providing video

entertainment services of their own, though they can act as conduits for others.

There is one important exception to this:

However, both local cable television

operators and the long-distance companies

would like a larger slice of the vast local

market, while the Baby Bells, which are

barred from the long distance market by

the anti-trust settlement, would like to

The local phone companies would also

like to attack the

local monopolies

enjoyed by the cable

companies them-

selves. But at at pres-

ent they are forbid-

break into that area.

the cable companies, in a flurry of legal action, recently filed suits to have telecommunications groups barred from building video networks until the Federal Communications Commission, which oversees the industry, imposes elaborate new rules on how these would be financed.

The cable industry argues that the local companies will try to use their telephone monopoly profits to subsidise their multimedia infrastructure investments, with telephone subscribers left paying higher bills. Several bills before Congress could cut through this complex jostling for position as the two industries converge. Lawmakers in Washington are trying to impose a comprehensive multimedla framework on the nation, but it is far from clear that the hills will reach the statute book as lobbyists for all sides try to gain the upper hand for their industry.

The legislation would allow new competitors, including cable companies, the right to compete with local phone companies and use their facilities to intercoonect with consumers. Phone companies would be freed to enter the cable market. The Baby Bells would be allowed into the long distance market - though there is strong disagreement over how quickly.

The US wireless market, which is growing strongly, is also in a state of considershle uncertainty. Participants are anxiously waiting for the FCC to set a timetable and final rules for the auctioning off of licences for personal communica-tion services - small, lightweight mobile phones which could provide a significant challenge to the established cellular telephone industry.

The PCS lobby claims that further delays could damage PCS's chances of competing against cellular and other wireless technologies, such as enhanced specialised mobile radio. The FCC is widely expected to hold auctions next December.

The only certainty in all this is that tha US telecommunications industry is set to go through several more years of upheaval and consolidation as it experiments with the best regulatory and corporate structures for the multimedia age.

But whatever emerges seems likely to have a strong competitive framework. which abould be good news for business customers as it will hold down communi-

Geoffrey Wheelwright on the shake-up in North America

Signposts on the digital highway

he North American telecoms industry is in the grip of an acquisitions and reorganisational frenzy brought on by a desperate desire to remake itself in advance of the arrival of the much hyped "digital highway" or "information superhighway". Governments and cable television toterests also want to get their own way in deciding the path this "highway" will take, so the rush has been on to make deal after deal that will give telecommunications "content" to offer users of the highway and enough strategic partnerships to make sure

that their particular section of the highway is not a dead end. The truth behind all this hype is that the future could see the creation of two or more digital highways in the US. One is likely to be controlled by cable and satellite TV operators and the other by regional phone companies. Given the huge political and financial will required to make such a thing happen it is most likely to take place first in the US (with much of Canada probably coming along for the ride) - and much

later, if at all, in the UK and Europe. For the past few years, as groundwork for the digital highway has been laid, companies in both sectors have been scrambling to build strategic alliances. AT&T and the regional Bell operating companies (known as RBOCs) have built the largest number of alliances with techoology companies - while cable television firms are scrambling to catch

The strongest political supporter of the information highway concept is Mr Al Gore, the US vice-pres has vigorously championed its development in US political circles and bas repeatedly spoken of what he thinks its impact will be. One of his biggest pitches to US taxpayers to support the development of the information highway has been on the subject of job creation.

"All ... applications (for the information highway) enhance the quality of life - because they do, they will spur economic growth. After all, even the quickest glance at the telecoms sector of the economy shows what it means for jobs," be says. "Over half of the US workforce is now in information-based jobs. The telecoms and information sector of the US economy accounts for more than 12 per cent of the GDP. And it's growing faster than any other sector of our economy. Last year total sector revenues exceeded \$700bn. And we exported over \$48bn of telecommunications equipment

When AT&T sold the first cellular phone, they said there would be 900,000 of them by the year 2000. We have 13m now. And it's still 1993. The predictions for mobile telephone users for the year 2000 now total 60m. This kind of growth will create thousands of Jobs in the communications industry. But the

biggest impact may be in other industrial sectors where those technologies will help American companies compete better and smarter in the global economy. If we do not move decisively to ensure that America has the information infrastructure we need, every business and consumer in America will suffer."

So the real question in many people's minds is who will control access to the highway – as well as the stops of interest along the way. The telecoms and entertainment husinesses have made the most noise about how they think



Mr Al Gare, US vice-president strongest political supporter of the Information Notway

they will control the way the they apparently have not reckoned with the determination of the personal computer industry. In particular, they have not taken account of the entimisasm of America's second richest man - Mr Bill Gates, co-founder and chief executive of Microsoft - for the development of this delivery system.

He believes that the PC industry will be a key player in the development of a national and international information infrastructure - and already has advanced plans for Microsoft's role in that infrastructure. Bill Gates see the starting point as information services delivered to millions of consumers through devices attached to

interactive" television sets. "There will be a new device in the home connected up to the so-called information highway that will be a replacement for the video game or the TV or the PC," be says. "You will be able to call up any movie or show that has ever been made. You'll be able to call up advice on medical things or shopping or travel. You'll be abla to find people of common interests, to video erence with people that you know. "It will be quite a general purpose device. It will take a lot of husin

and change them. It will require a lot

of software to do that well. There are many software companies, including Microsoft, that are starting to see this opportunity. We've hired several hundred people to work on this even though it won't come to realisation for over five years."

Bill Gates says the company "won't get any revenue for at least three years" from this project and "will spend many tens of millions on it in the meantime." So what is it that has given Microsoft

such huge volumes of patience? The simple answer is the realistic chance to make every home in America spent money on Microsoft software. The software would be contained within the system that delivers the information to the TV set.

Microsoft recently gave a demonstration of how this service could augment existing TV entertainment. People watching a live baseball game, for example, could use a handheld controller (not unlike the kind provided for use with video game systems) to chaose from a series of on-screen pictures (to the left-hand side of the main picture) to bring up on-screen statistics on either of the teams, any of the players, up-to-date out of town scores, current position of players on the field - and even order tickets (using a credit card) to the home team's next

By tuning to an all-music TV channel meanwhile, people can augment their viewing with information on the artists singing the song, details about the album it came from, what other albums the artists had released and, of course, the ince to order the album by credi

The ultimate mix of computer technology, consumerism and TV, however, would come with use of the shopping channel - where consumers could design 'virtual shopping malls' in which they were the only customers. These would work hy having the consumer designate which shops they would like to frequent (from either an on-screen or published catalogue) and the system would then respond by displaying a videogame-style representation of a mall with shop

Consumers can then use the handheld controller to "walk through" their custom-designed on-screen malls stopping at the shops whose goods they might be interested in buying. These would be represented by on-screen shop fronts which, when entered, would be replaced with an on-screen catalogue of the goods available in that shop.

Mr Gates says that many telecom companies are talking to him about this plan - including US West, TCI, Time/Warner and AT&T - "it's the feeding frenzy or gold rush around digital convergence," he says. "There are many people who are trying not to be left out of the activities."

US cable companies have bold plans, reports Martin Dickson

Battle of converging industries

US cable television companies, which have enjoyed spectacular growth over the past 20 years, now plan to compete for telecommunications husiness with telephone companies, as the characteristics of the two industries converge.

To take one example: in the city of Rochester, in npstate New York. Time Warner, the local cable television company, intends to offer a telephone service as early as next year in competition with Rochester Tel, the existing telephone monopoly, which is voluntarily opening up its market.

Technological breakthroughs mean that customers will soon he provided with interactive multimadia communications services, delivered down the wires which each company runs into US offices and

The cable companies, therefore, want to expand their current range of broadcast offerings to include interactive services - such as home shopping - and telecommunications services, which may include forms of wireless communications as well as wired ones. For their part, the telephone companias want to invade the cable companies' entertainment territory.

Late last year this convergence of interests led to several als – with a lot of ballyhoo - between cable and telephone companies. Notable among these was a scheme to enable Bell Atlantic, the regional telephone company, to take over Tele-Communications, the leading cable company, in a deal that could have been worth up to \$22bn.

However, the Bell Atlantic deal fell apart. So did a less ambitious alliance between Southwestern Bell and Cox Enterprises. The companies concerned laid the blame on the Federal Communications Commission, the regulatory agency, which has forced the cable industry to cut the rates it charges for basic services by 17 per cent. It is now uncertain whether the two industries will compete head-on, rather than co-operate, to provide America with new multimedia services, or whether alkances will make a comeback, albeit on a less grandiose scale. A mixture of

both seems likely. In recent years, the cable companies have been nibbling away at talephone business

eral so-called Competitive Access Providers - companies in metropolitan areas operating highly efficient fibre optic networks which cream off corporate bulk traffic. But full telecommunications competition, across a broad range of customers and aervices, still faces considerable regulatory

First, the local telephone cosy, state-regulated monopo-

Washington DC, the local cable local telephone company.

There is an additional twist

and business hurdles.

company is seeking regulatory approval to start offering a telephone service in competition with Bell Atlantic, the

bere: the Montgomery cable company is itself owned by a large "Baby Bell" local telephone company. Southwestern

Bell. It would be the first time companies have long been a Bahy Bell local telephone company had competed with

US cable companies are keen to expand their communication services. Above; a trainee, right, is shown how to splice a cable at US West.

lies: regulators allow them to make a decent return on their investments, so long as they fulfil an obligation to provide a "universal service", enabling anyone to have a telephone at

Competition is beginning to break down this system, but there is still a long way to go. In Rochester, Time Warner's way to enter the market was smoothed by Rochester Tel itself, deciding that it was in its own best interests to create competitive local conditions.

Rochester Tel recently won approval to split itself into two: a closely regulated transmis sion business and a less regulated service operation. It agreed to interconnect its own system's customers and those of Time Warner, and to stabilise its prices for seven years.

Other local telephone compa nies are hardly rushing to copy Rochester, although Ameritech, the large Chicago-based company, has offered to open up its market (provided it is allowad to enter the long-distance market from which it is currently barred).

But much of the pressure for change is likely to come from the cable industry. For example, in Montgomery County, Maryland, which encompasses

one of its siblings. Regulatory restraints apart, many cable companies face capital constraints in building the modern, sophisticated systems required to operate a fully interactive entertainment and telecommunications network. The industry is up in arms over the 17 per cent rate rollback demanded by the FCC, which is estimated to have cut some \$3hn from the sector's \$20bn revenues.

At the same time, the much larger regional telephona companies are in the throes of huge capital investment programmes to advance the information highway. Bell Atlantic recently said it would spend \$11bn on network improvements in the next five years.

that the price cuts will delay building the information superhighway. He says the agency will closely monitor the effects of cuts on the sector and make adjustments, if necessary. The industry also complains

Mr Reed Hundt, the new

chairman of the FCC, denies

that the FCC has taken away its incentive to add new channels to its systems - although a large number of television production companies have planned new networks focused on subjects as varied as golf, antiques and health.

In order to encourage new services, the FCC says cable operators can take a 7.5 per cent profit when they add a basic cable channel to their system, in addition to recouping their costs. But the cable companies, which use to have more scope to raise consumers' bills when adding channels, say the FCC has offered too little to make additions financially worthwhile. As a result they are now more interested in unregulated services, such as pay-for-view films, home shopping, or "à la carte" channels, which the viewer selects and pays for in addition to the

basic cable service. But despite the current gloom in the cable industry which contrasts sharply with the euphoria at the time of last autumn's Bell Atlantic deal the sector seems certain to play an important role in the multimedia revolution by virtue of its programming skills

and technological base.

The local telephone companies may be less ardent suitors, but it is possible that cable companies will link up with large long-distance operators – AT&T, MCl Communications and Sprint - which are all keen to expand their tentacles into the local arena. They would be formidable rivals to the regional phone companies

Canada is aiming for a new national 'information delivery infrastructure'

Tiger leaps into video-on-demand business

he quest for diversification faced by many of the world's largest telecommunications organisations is well under way in Canada - where the roles of governments, as well as the existing nearmonopoly of a few large telecommunications and cable television providers are changing.

On the cable television front, some of the country's leading cable television providers (the largest of which has diversified into the provision of long-distance telephone services) were given a boost last week by the announcement from the Canadian Radio-Television and Telecommunications Commission (CRTC) that it would grant approval for seven new English language and two new French language speciality television channels for marketing next year.

The move follows months of hearings by the CRTC of some 48 applications for the provision of services and the announcement by the country's leading telephone companies that they wanted to get into the entertainment business via the planned

"information highway". A survey which was conducted by one of the country's leading polling organisations - the Toronto-based Decima Research - over the time period when the hearings were under way - found that 72 per cent of the respondents believed that Canada's

years would depend on the country's ability to provide a "sophisticated information delivery infrastructure". Respondents to the Decima poll

were reported to have seen key roles for federal and provincial governments, industry, and academia in developing information infrastruc-

The poll also apparently showed the need for co-operation among those four big groups with findings that 92 per cent of respondents believed technological changes now taking place would fundamentally alter the way people did husiness in the future.

Furthermore, 74 per cent felt Canadian society would see more changes in the next two years than in the last 10; 60 per cent believed technology had improved the quality of life for the average Canadian.

The poll also showed that 85 per cent agreed that most businesses and ernments had not yet fully realised the economic potential of the information highway. It is perhaps with these results in

mind that in April the Stentor group (a consortium of the country's largest telephone companies) revealed plans for a broadband information highway that, it estimated, would require some C\$10bn of new investment and would create 12,000 jobs.

The group predicted that hetween

competitiveness in the next five to 10 80 per cent and 90 per cent of Canadian businesses and homes would have access to these new services by the year 2005 under what it called the "Beacon Initiative".

The plan calls for the establishment of high-tech wonders - such as "virtual" courtrooms, virtual classrooms. remote diagnoses by doctors and "video-on-demand" movies.

Stentor appears willing to put its money where its mouth is in making this investment, however, with

The plan calls for the establishment of high-tech wonders - such as virtual courtrooms, virtual classrooms, and remote diagnoses by doctors

announced plans to spend some C\$500m on network anhancements, the creation of a new company to supply multimedia software to the establishment of a venture capital fund to assist small companies that want to create produces for use on the "highway"

Rogers Communications, the country's largest cable television provider. is fighting back and recently announced plans for consumer trials of a new home video delivery technology developed in the US by Microsoft, the computer software glant, and TCI, the US cable television firm.
The Microsoft/TCI venture (which has been code-named "Tiger") marks the first of many much-publicised moves into the fast-growing "video on

demand" business. Microsoft says that it will provide a fully scalable media file-server solution that can be used from desktop computers right up to the citywide deployment of cable television

Computer companies Compag and Intel have also demonstrated the first continuous media server hardware based on this Tiger technology.

The idea behind it is that it should provide a lower-cost way of delivering video-on-demand by using standard personal components and asynchronous mode transfer (ATM) switches as part of the delivery mechanism bringing down the cost of entry into this pioneering market.

Microsoft says that it will allow thousands of users to gain "split-second" access to thousands of media files (such as movies, music videos or TV shows) and allow laserdisc quality control of them - including the ability to pause, reverse, fast-forward and jump ahead to specific parts of the

media file being currently played. Mr Nathan Myhrvold, Microsoft's senior vice president, advanced technology, says he hopes this move will

start to dispel the notion that only very high-end, expensive systems can be used to deliver video-on-demand. "Some people assume that video-on-

demand is a hardware problem for massively parallel machines, but it's really a software issue," he says. "Once you have the right software, you can implement it in many ways on personal Tigers' for individual or

workgroup use, corporate 'Tigers' for small or mid-sized private networks or city "Tigers' for large-scale, metropolitan service areas." Tiger is based on Microsoft's existing Windows NT Advanced Server software and will be tested in Seattle by employees of both Microsoft and US cable television giant TCI as part

of a pilot project this year - with more widescale testing in Canada, Seattle and Denver in 1995. The data from these tests will partly determine the eventual release date for any products based on Tiger.

Microsoft is betting that Tiger will appeal strongly to cable television. telephone, utility and private network companies and will be used to deliver services such as telecommuting, video messaging, information navigation, corporate multimedia servars, televi sion post-production work, shopping klosk production and husiness transaction processing.

Geoffrey Wheelwright

Situation and Perspectives of World Telecommunication Markets

In order to dispose of dete on the current situation of telecommunication markets around the world (radiographies by sector, merket segment, or geographic eree; terms of supply,

To better understand the ongoing changes (short term tendencies of new markets; economic evaluation of emerging technologies, etc.)

To keep up with investment policies and industrial strategies (alliances, diversification, internationalization) of main world players

IDATE

proposes the expanded and updated 1994 edition of two sector-based reports ("):

- Telecommunications Equipment Manufacturers and Markets in the World Telecommunication Operators in the World

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(*) each report also includes monographs of the world players The English versions will be available in June 1994. Reports available in the same collection: The World Film and Television Market; Semiconductor Industries and Markets around the World.

Competition will benefit the corporate sector, predicts Andrew Adonis

Battles loom in UK market

tions market, already arguably the most open and competitive in the world is about to become a veritable battleground. The main beneficiaries will be the corporate sector - particularly large telecoms users in the City of Lon-The qualification "arguably"

is needed because of the contrast with the United States. where competition is more striking. American Telephone & Telegraph, the largest US long-distance carrier, has been forced by competition to relinquish more than 35 per cent of

the long-distance market. In the UK, British Telecommunications still boasts a 90 per share of the total market for telecoms services, and according to most analysts' projections it will loosen its grip by only about three per

BT is not under the same ure from "equal access" regulation as AT&T. The US carrier has to gain its custom through the explicit choice of customers in each case; by contrast, in the UK it is only the customers motivated to desert BT who have to act. Inertia means staying with the former

monopoly supplier. The abssnce of "equal access" in the UK undoubtedly gives BT an advantage over AT&T, and is a prime source of contention between the operators in their claims about the 'equivalence" of their respective home markets. However, BT's 90 per cent market share is not a meaningful comparison with AT&T's 65 per cent.

BT's main competitor, Mercury Communications - 80 per cent owned by Cable & Wireless, the UK's former imperial operator - started building its network only in 1984; outside the City of London, and in the residential market nationwide, it has only recently become a strong competitor to BT.

Moreover, until a change in the regulatory regime in 1991, Mercury was BT's sole competitor, whereas AT&T has had to fight head-on with MCI, Sprint and assorted re-sellers for more

The 1991 regulatory review gave as big a boost to UK com-

petition as the initial privatisation of BT and licensing of Mercury in 1984. It abolished the BT/Mercury long-distance duopoly. And the government declared itself ready to licence almost any competent telecoms provider to offer services, on their own networks or across those of other operators, except for rival international infrastructure to that of BT and

Since 1991 more than 40 new operators have been licensed to provide UK telecoms services, both long-distance and local (the latter still largely a monopoly in the US). The effect has been to boost competition in all the main sectors. Taking them in turn, there have been three main conse-

about to launch a service in Yorkshire geared particularly at the business market. The Leeds-Sheffield business axis has a high concentration of corporate custom, and Mercury's influence has been patchy in the region.

Energis and the electricity companies are thus mobilising the country's pylons. The railways are being used for the same purpose by Mercury and British Rail Telecommunications - a free-standing subsidiary of the soon-to-be-priva-tised British Rail, which is also planning to enter the corporate market. It was perhaps inevitable that someone would soon exploit the canals too. However, the form of exploi-tation is novel: GPT, telecom-

British Telecom has established "Win Back" teams, targetted at larger corporate clients

quences for the corporate sec-

· An intensification of long-distance competition. The National Grid, supported by the 12 privatised electricity companies in England and Wales, has established its own telecoms operator, "Energis" which is erecting a third long-distance fibre-optic network across tha National

Energis claims that its overheads - in both senses of the term - are markedly lower than BT's and Mercury's, and it is about to start offering a commercial service. Energis is tonting headline figures of around 15 per cent off existing long-distance tariffs, and has already won a 10-year contract with the BBC to operate a broadcast network for the distribution of the corporation's television and radio services in

Several regional telecoms operators have also been licensed, mostly electricity companies working more or less in conjunction with Energis. The most ambittous is Torch Communications, a joint venture between Yorkshire Electricity and Kingston Communications (the long-time independent local operator covering the city of Hull), which is

munications equipment manufacturing joint venture between GEC and Siemens of Germany, has clubbed together with British Waterways to offer so-called "dark fibre" - a fibre-optic network without electronics for sale "wholesale"

lor their own networks. Fibreway, the new operator, is making only a modest investment at the outset, but its potential is considerable if long-distance telecoms becomes an essentially commodity business for large users and telecoms retailers.

to other operators or busi-nesses wishing to use it to tai-

 The start of local competition, particularly in the City of London operators.

From an industry perspective the most far-reaching advance since the 1991 regulatory review has been the emergence of competition in the "local loop", which appears to be overturning the conventional wisdom that competing local supply is uneconomic.

The most visible local competition is coming from the operators, mostly US-owned, which are building combined cable television and telephone networks in urban areas. The cable companies believe the economies of scale available from dual provision have revo-

across Europe, are the compe-Intionised the economics of local telecoms supply. Their nies most frequently encoun tered in the re-sale market. commitment is far from half-They focus on international hearted: about £8bn is being invested over the next five traffic, but most also offer a years, with most of urban and "commuting" Britain set to be re-sale service within the UK. than 200 customers and five cabled. North American telecoms operators are to the fore, switches of its own, and plans led by Nynex, US West, Southto offer an indirect access service later this year targetted at small and medium-sized busiwestern Bell and Bell Canada.

Telewest, a joint venture between US West and TCI, is in the process of a London flotation, expected to be the first of reacting vigorously to the new challenge. Both have long offered volume discounts. So far, the cable operators have concentrated on the resiness traffic now goes through

dential sector, selling cable telephone on the back of television. About 40,000 business lines have been installed out of a total of about 400,000. But as the larger city networks notably Nynex in Manchester get under way, the attraction to the corporate sector will

For many large businesses, bigger gains likely to be had from the free-for-all occurring in the City of London, where no fewer than three new operators are currently building their own infrastructure.

Colt and MPS, both financed by well-established US operators, are building fibre grids, inter-connecting with other long-distance operators, specifically for the corporate sector.

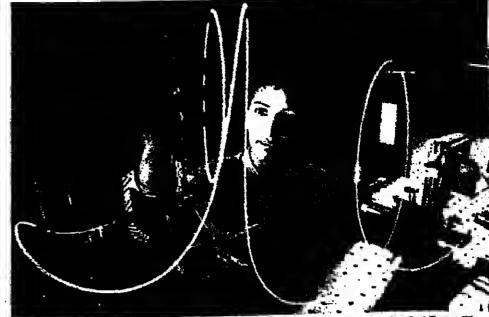
Their emphasis is different -Colt is a dedicated local opera-tor, MFS also intends to enter the long-distance re-sale market, and has ambitious plans to build similar grids in other UK cities, building on its US experience as a highly successful "competitive access provider" ("Cap"), offering direct fibre links to the long-distance carri-ers for larger businesses in major cities.

• The development of thriving re-sale market. The City of London has also

spawned a growing array of resellers - operators leasing capacity from others and reselling it at a discount to standard tariffs, in many cases providing their own switching facilities and direct links to customer premises.

Worldcom, Sprint, ACC and Esprit, the first three US groups and the third a private UK-based operator with offices

NEW ETACS!



Laboratories at Martiesham Heath, in the telecoms world of the future, with on-demand visual services to office and home, high definition, full-colour, three-dimensional images will become the norm.

Mr Michael Hepher, BT's claim. Since BT is not allowed to engage in preferential pric-ing, its "win back" appeal is managing director, says that volume discounts are likely to become larger still - which based on overall packages of will push Mercury to follow services and customer support. Standing back from the bat-BT has also established "Win tleground, is the competition delivering the corporate sector Back" teams, targetted at larger corporate clients. It better services at cheaper

> One is inevitably dealing in counterfactuals, but a recent study by Analysys, the Cam-bridge-based telecoms consultancy, gives some support to

the idea that price competition is serving larger business well. The Analysys study* shows tariffs for UK businesses lower than those of France, Germany and Italy. On the other hand. they have been so since before the privatisation of BT and licensing of Mercury in the early 1960s. Only for larger businesses does the differential

any consistency. Since the large corporate sector has been the most intensely

appear to have increased with

competitive uver the past decade, two plausible arguments could be made. First, that competition brings down prices mure rapidly Second. that it distorts pricing, benefiting those sectors which are competitive at the expense of others. As compelition spread d' to all sectors over the next decade, the truth will be revealed.

Cutting the Cost, Analysys, 24 Castle Street, Cambridge:

UK CABLE NETWORKS

Testing ground for Europe

Three years ago, the British government surprised the global telecommunications industry and delighted cable television operators by ruling that cable companies in the UK could build combined cable television and telephone net-

Worldcom now has more

BT and Mercury are both

More than half of BT's busi-

one of five discount schemes,

offering savings of 16 per cent off standard tariffs to the high-

claims the teams are already

bearing fruit, with more than

£200m of business won back

from Mercury. Returners inclode Citybank, the Pruden-tial, and National Power, BT

est volume users.

The decision not only ended the BT Mercury duopoly, but ers a head start by banning BT from offering entertainment

services over its telecommunications network for a decade. Overnight, Britain became the most liberalised cable television market in the world and a test-bed for cable telephony services. As a result cable companies - many US-owned -

have piled into the market. "Everyone is watching to see Mr Robert Rosenberg, a telecommunications analyst with New Jersey-based Insight

Allowing cable television companies to also offer cable telephony services provides them with an important early second revenue stream which some many analysts now believe will eventually overtake cable television revenues themselves.

As Dataquest Europe noted in a recent report, "In the early days of cable it was generally assumed that cable telephony would be a marginal activity with marginal costs...the situation has changed considerably - some operators are now seeing revenue streams which in some instances are rivalling cable TV revenue."

quest believes the ability to provide telephony services has fundamental implications for the economics of the cable industry. Although small mar-gins on residential telephony initially prompt the question: 'Is it worthwhile?' Datequest bslieves the

Ms Cathy Burrows of Data-

answer is an unequivocal 'yes,' because it provides cash to grow the business, lifts penetration rates and reduces "The main attraction is a

combination of business and residential telephony," says Dataquest. Cable TV alone is calculated to have an 8 to 10year payback period but the addition of telephony halves the forecast payback period to

It is calculations like these which have fuelled the recent boom in UK cable industry investment. So for, about £1.7bn has been spent building cable networks passing some 3m homes, part of a projected £10bn investment programme stretching into the next decade including £1,2bn in the current

Even the decision last month by three UK cable operators. General Cable, Comcast UK Partners and TeleWest, the UK's largest cable company, to postpone stock market flotations because of market condi-

The association predicts that exchange line connections will rise to more than 700,000 this year. Even then with more than 20m lines. BT's dominance of the UK telecommunications market is not immediately threatened. But together with Mercury marketing its long-distance network to residents, cable operators do appear set to make a significant dent in BT's market

Dataquest forecasts that business and residential customers for cable telephony will be renting 1.5m telephone lines

Payments to BT and Mercury represent the largest telecoms cost of the cable companies so the cable companies want to cut their interconnection requirements tu a miniotum

For the moment it secons likely that the UK will remain a unique test-bed in Europe for the cable telephony market, As Dataquest notes, the regulatory environment is so different in the UK from the rest of Europe that there is little chance that other countries will allow cable TV vuice telephony in the next five years. Some data communications

UK customers pay less for phone lines: Italian callers pay most Four European countries compared: average cost per line in equivalent 1994 UKE*

i dei comoposii dei							~
	1988	1989	1990	1991	1992	1993	199-
JK - Mercury	1,837	1.814	1,724	1,644	1,520	1,456	1,480
JK - BT	2,209	2,177	2,108	1.977	1,688	1,601	1.625
France	2.686	2,149	2,103	2,057	2.039	1,984	1,771
Germany	2,588	2.597	2,335	2,104	2.065	1.943	1,939
	3,555	3,539	3,386	3,140	2,903	2,794	2,609

For 100-line business customer - see also charts on Page Two of this survey. Figures based on tartitis in force on January 31 of each year. Date source: Analysys.

tions is unlikely to put a break on UK cable industry investment - although it may give encourage slightly more conservative valuations. Altogether more than 130

cable franchises have been awarded in the UK and 62 are already active with a total of about 650,000 subscribers. Network operators in the UK

claim cable telephony provides both residential and business customers with substantial savings on call charges - typically between 10 and 20 per cent - as well as other advantages including itemised monthly billing. Companies market cable and telephony services together, often with discounts for customers taking

But as Dataquest noted the popularity of cable telephony services has surprised even the operators. In some areas the take-up of cable telephony services is running at more than

By the end of March, 46 cable franchises had installed almost 350,000 telephone lines including 38,000 business lines - in more than 30 areas, according to the Cable Television Association. A year earlier the figure was 126,500 lines out of a total of 29.3m on the public switched telephone network in 1997, representing five per cent of the market and will generate annual revenues of almost £700m

Other research from Barclays de Zoete Wedd suggests that by the year 2000 cable could be costing BT up to fibn a year in lost revenues. BT is expected to recoup some of that lost revenue in charges for linking cable systems into its trunk network, but it will be competing for business with Mercury and other new long-distance telephone compa-nies, including Energis, the National Grid subsidiary, and perhaps even the cable compa-

The cable companies have already announced plans to build the backbone of a national telecoms network to rival those of BT and Mercury in the UK by mid-1995. They plan to create six regional networks covering London, the Midlands, the north, East Anglia, the south coast and Scotland. Fibre-optic and microwave links will permit the companies to run joint programming and send regional telecom traffic across each other's networks without having

services are allowed over cable in France and there is pressure for similar concessions in other countries including the Netherlands, Belgium and Denmark. Mr Karel Van Miert, EU competition commissioner, last month threw his weight publicly behind a full and speedy liberalisation of Europe's cable television infrastructure.

However the commissioner, outlining the role of competition policy in telecommunications, said his aides were studying the impact of allowing cable TV companies to offer services already open to competition but ruled out consideration of voice telephony. in contrast pressure is build-

ing in the US to follow the UK's lead and allow cable companies to offer telephony services and vice versa. Already so-called competitive access providers have been growing quickly competing against the local Bell companies to provide businesses with access to the long-distance carriers.

Now, with the backing of Congress, the US regulatory structure looks set to loosen

Paul Taylor

Paul Quigley highlights benefits of smart card technology

Wider financial link-ups

More than just a colourful piece of plastic, the smart card is set to transform the way in which users access and benefit from communications and value added services.

For this reason the possibilities for strategic alliances between the leading players in both telecommunications and banking are vast. Many of the big telecommu-

nications carriers already offer cards of varying capability, based on magnetic strip technology or on account numbers which have to be keyed in. Banks, too, see smart cards

as forming part of the process of 'disintermediation' of the financial sector, whereby customers' transactions will be handled by phone, both fixed

The new entrants into this

arena are the digital cellular communications operators, who are poised to unveil innovative services in partnership with other industry sector pro-

GSM (Global System for Mobile Communications) and its sister tecbnology. DCS

1800, are part of the new generation of digital cellular networks which

use smart card technology as a fundamental part of the system architecture. GSM smart cards. or SIMs (Subscriber Identity Modules), provide authentica-tion for the user to the network, and store vital personal information about the card

With older analogue cellular

useless. When The technology offers inserted into a many alliances between slot in the bandset, the telecoms and banking SIM card logs on and transmits the user's encrypted iden-

tity ready for use. What makes these cards 'smart' is an intelligent microchip embedded in the plastic. The key technological breakthrough is in the integration of re-usable Eeprom (Electronically Erasable Programmable Read Only Memory) chips on to this single

association between the user

and the telephone. The user

was essentially anonymous,

and the handset established its

With GSM, a handset with-

out a SIM is

authenticity to the network.

The chips used in GSM and DCS 1800 are based around the Httachi H8310 chip, storing up to eight kilobytes of information. Data can be updated, and communicated with remotely and repeatedly after the card has been issued. This is fundamental to the power and flexibility of the SIM card,

The chip makes possible the convergence of multiple ser. vices, functions and applications on to a single smart card. It is here that the telecommunications carriers, the financial institutions and the digital cellular operators see a significant marketing potential for

the luture. Thus, Mercury One 2-One the DCS 1800 personal communications network operator

Continued on next page

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Benefon Oy, a Florish hi-tech company specializing in mobile or NMT 450, NMT 900 and ETACS systems. All Benefits products are manufactured in Finland at the con s in resulted from export to almost 40 countries worldwide. Benefice employs over 900 people. Sales in 1993 exceeded USD 40.0 million.

Information communication technology (ICT) in Europe

European Union and European Free Trade Association (Efta) market value in millions ECUs

	•			. ,		***************************************	
Equipment / service area	1991	1992	1993	1994	1995	CAGR, % 1991-93	CAGR, % 1993-95
Computer hardware	42,483	40,260	39,052	39,525	40,657	-4.1	2.0
Office Equipment	8,555	9,192	8.766	8,708	8,813	1.2	0.3
LAN hardware	1,242	1.666	2,017	2,203	2,319	27.4	7.2
Other data communications	1,406	1,507	1,599	1,643	1,614	6.6	0.5
Data communicn's hardware	2,648	3,173	3.616	3,846	3,933	16.9	4.3
T hardware	53,686	52,625	51,434	52,080	53,403	-21	1.9
 Hardwere maintenence and supplied 	port services;						
Services .	44,755	47,162	49,359	51,626	53,866	5.0	4.5
Total IT market	115,621	118,461	120,778	125,120	130,370	22	3.9
Service providing equipmt.	21,235	19,610	18,190	17,090	16,510	-7.4	-4.7
Customer premises equipmt.	10,545	10,761	10,937	11,101	11,290	1.8	1.6
Data network services	11,356	13,224	14,706	18,185	17,279	13.8	8.4
Voice network services	77,672	85,697	93,705	101,973	110,477	9.8	8.6
Installetion/maintenance	3,211	3,341	3,474	3,601	3,693	4.0	3.1
Total telecom Total ICT	124,018	132,833	141,012	149,950	159,249	6.6	6.3
Juli ICi	239,638	251,294	261,760	275,070°	289,620**	4.5	5.2

*The ICT total market value for 1994 of Ecu275,070 is equal to \$319,081; ** the 1995 forecast is equal to \$335,959. Data source: European Information Technology Observatory - ETO, 94; Lyoner Strasse 18, D-60528 Frankfurt/Main, Germany. Price Ecu40, plus VAT and mailing cost.

Andrew Emmerson highlights computer-telephone integration

Converging technologies offer commercial gain

worked expressions in the information technology field is the 'genuine breakthrough' and often the more strident the hype, the less significant the advance.

this casts

Computer-telephone integration or CTI (also known as computer-supported telephony), however, has been introduced with little fanfare, yet it is generating new opportunities, not just by cutting costs but also by creating new

In spite of constant talk of

the convergence of computer and telecommunication technologies, CTI is harnessing the power of the computer to the telephone in weys never dreamed of before.

Enterprising organisations are using CTI to seize the competitive edge, especially in enhancing their level of customer service. Providing firstclass service calls for innovative techniques and CTI pro-

For example, National Break-down, a leading car-recovery organisation, needed e mechanism enabling it to provide help more efficiently than the competition - crucial when a stranded motorist will call on whichever organisation offers the fastest assistance.

CTI allows National Breakdown to do this. Using the company's system, a motorist who's car has broken down can call from a toll-free roadside

telephone. The Netional Breakdown operator needs to ask only two things: the car's registration number and its location (even the latter will not be needed once caller identification from phone numbers becomes evailable).

The rest of the process is automated. From the registration number, the computer instantly identifies the driver and the details of his or her vehicle, enabling the operator to greet the driver by name

and refer to the car make and model.

On-screen maps pinpoint the car's whereabouts and also indicate the nearest garage, sending help on its way within minute

Retailing is an equally competitive field, in which CTI also has an important role to play. In the US, MicroWarebouse uses CTI to maintain its position as a leading mail order supplier of computer software

Customers ring a toll-free aoftware to your PC and it number and before the call has been answered, caller identification tells the calling. Thanks to this

and accessories.

information and CTI, the salas agent wbo answers the call already has on screen neme, address and credit card number of the

customer, and Claude Olier: heads Eunetcom the details of the joint venture of France his or her last Telecom and Deutsche Telekom

greets the customer by name and then asks if, for example, the word processing software ordered three weeks ago is satisfactory. Not only is customer business handled more efficiently, clients feel better dealing with a firm which appears to value their custom.

In many other retail and commercial operations computer-assisted telephone centres are already the norm. Hotel and airline reservations provide e clear illustration of how linking telephone agents to computer systems improves both customer service and the

ability to sell effectively. As more business is done by phone, the role of CTI will increase. Telephone banking is now well established and buying insurance by telephone is the fastest growing sector in

the financial services market. CTI is also used to assist staff making a large number of calls, reducing the time wasted on ineffective calls. This application is used widely by banks, finance houses and credit organisations for speeding up the recovery of debts. It may increasingly be used for telephone selling, as in the US.

But CTI is not only for use by large-scale enterprises. The technique works just as powereven greater, nsing staff resources more effectively and matching the number of phone lines rented exactly to the level of business handled. Productivity increases of up to 300 per cent have been

claimed by the Bank of Scot-land, while a debt recovery firm's collectors can now contact more than 200 defaulters m e day compared with fewer than 60 previously. In the US, the computer com-

pany Tandem cites the case of a system it installed for an electricity supply company. Its client has claimed savings of \$3m a year and managed a full paybeck on its investment vithin four months.

the technology's potential.

fully et the other end of the scale, enabling the one-man business to take on much larger firms imagine, for example, you

want to turn your spare-time business into one earning full-time profits. You sell specialist books and video tapes by mail from your home but find that an answering machine is a poor substitute for personal service while you're away at the day job.

By adding a card and some

becomea an automated telephone attendant, inviting people to key 1 to place an order, 2 to hear your products. 3 to order e catalogue or 4 to leeve e message on other The cost of

this edd-on is less than £500 and small businesses across the US are sucexploiting the

For large organisations, the opportunities to save costs are

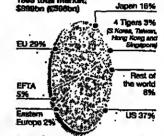
The UK company Datapoint quotes the experience of a bank using automated dialling systems which it supplied. In the first year of operation, eccounts handled rose by 33 per cent, promises to pay rose by 65 per cent and all this was achieved with existing staff. These may be exceptional cases but they are indicative of

Although CTI is a relatively new discipline, it is based on mature technology. Organisations adopting CTI are gaining the joint venture of France



world's largest insurance companies and a pioneer in IT applica keeps in touch with the mobile sales team. He also uses Lotus Notes the workgroup computing environment, for e database of profiles of

Japan 1856 4 Tigers 3%



an undeniable advantage over the competition and the mar-ket for these systems is set to grow considerably over the next few years.

"A key factor in keeping pace with change in today's business world is the ability to

Integration is vital for competitive advantage

communicate efficiently at all times - whether it be by voice. data or image - regardless of location," says Mr Claude

Telecom and Deutsche Tele-

In a deal with International Business Machines in March this year, eunetcom - officially epelt without a capital E signed a contract for the delivery of high-speed, managed transmissions services to 40 IBM locations in France, Germany and other European cen-

The services will be controlled by eunetcom's network operations centre in Frankfurt, which will go into operation on

July 1, says Mr Olier. The eunetcom network also has 'hubs' in France, the UK, Netherlands, Belgium, Spain, Italy and the US. By the end of this year, bubs will be added in Sweden, Singapore and Japan.

This month, eunetcom signed a worldwide, \$200m outsourcing service agreement with the New York-based Dun & Bradstreet, a leading provider of information, software and service, for tha services currently provided by tha international 'DunsNet' network - eunetcom will provide all of D&B's worldwide data communication needs for a five-year period.

Outsourcing: the winds blows both ways - see Page Four

Billed for business

Andrew Adonis looks at calling card operators and charges

be business travel sector is one of the most lucrative and fastest growing markets for telecom operators. Calling cards are currently the main product on offer, but a growing array of facilities is in the making, geared particularly to the international traveller anxious to avoid language harriers, pational telecoms bureaucracies and inflated international call charges.

In the US, calling cards are a fact of life, with more than 100m in circulation. The three main long-distance operators
– AT&T, MCI and Sprint – compete on price and service quality, and a host of other operators also offer the fecility. Touch-tone or voice-response systems for inserting PIN numbers are the latest innovations, with a wide variety of billing arrangements on offer to suit ersonal and business needs. AT&T even offers a translation service for

travellers with language problems. In Europe, calling cards beve been slower to catch on, even in the business market. This is perverse, given the relatively greater volume of international business travel in Europe, and with it the greater inconvenience involved in making calls to say nothing of befty telecoms tariffs, particularly after the mark-up charged by most European hotels.

According to Eurodata, a tariff consultancy owned by 21 European telecoms operators, western Europe's 9m business travellers e *year* make nearly 700m telecoms transactions during cross-border business trips within Europe – 85 per cent

Continued from previous page

in the UK, in partnership with

Barclaycard, has launched a service enabling subscribers

who use Barclaycard to contact

specific departments for vari-

ous information and financial

The SIM connects the sub-

scriber to a number of services

by offering the ability to select

from a menu displayed on the

handset screen. Though this

move is not a full-blown mani-

festation of a multi-service

smart card (the SIM card is

still not a credit card in itself).

it does represent a start. While

the Mercury-Barclaycard initia-

tive is primarily geared

are international. In total business travellers spend about Ecu3bn on telecoms services. About half of that sum goes to hotels, the rest to telecoms operators. Calling card tariffs are at

a premium to standard tariffs. but are lower than the mark-up charged by the typical European botel. So telecoms operators have a large vested interest in encouraging a shift to card calls: they stand to net a higher proportion of the existing Ecu3bn than they currently receive, and the

hotels advertise calling card access numbers in hotel bedrooms, aware that ease of access is now a significant factor in choice of hotel by business travellers.

In Europe, by contrast, hotels typically charge a much higher connection fee, and sometimes bar access to calling card or freephone numbers altogether. Moreover, unlike the US there is no standard regime: a random FT survey of six large central London botels found that two levied no calling card access charge, one d £1 per call, one £

Calling cards have been slower to catch on in Europe than in the US, even in the business market

significantly to increase the total size of the market. Yet only 51 per cent of the travellers surveyed by Eurodata carry a card either a calling card or a credit card - with a telephone function, while awareness of services on offer was low. In line with US experience the researchers found that when abroad, travellers will only use those telecom services that they know from their own country - it makes sense, therefore, to educate business travellers and promote services in their own country." For most of

Europe's national operators, the education and promotion is just beginning. In the US, where AT&T in particular has been battling with hotel chains for a decade, the typical hotel charges 75 cents for access to calling card or freephone numbers, with no ettempt to bar access. Indeed, many

Further card partnerships

costs more effectively by direct

payment of bills for sales force personnel or mobile staff.

Another application being

tested is the payment of tolls

on roads. In Germany, GSM

smart cards are being used in

conjunction with road tolls in

pilot trials to test the feasibil-

ity of payment for road usage.

in a related smart card devel-

opment, National Westminster

Bank, Midland Bank and BT.

have formed a joint venture

consortium, Mondex UK, to

exploit the cepabilities of the

smart card. The Mondex part-

one £2 and one £2.50. For any business traveller planning to make more than a few calls, it pays to check on the policy of each hotel – and travel equipped with a variety

of cards. An invitation from the FT to business travellers earlier this year to tell their tales of telecoms were brought a flood of responses. Tellingly, almost all came from consultants or executives in partnerships footing their own bills. Travellers whose bills are paid for them seem extortionate hotel charges, e fact company telecoms managers would do well to

A typical complaint came from a reader charged £82 by e hotel in Nottingham, England, for a 22-minute off-peak call back home to Singapore. His concern was not just about the size of the bill, but et the hotel's failure

to make clear the scale of the mark-up, which was disguised by a 'per unit' tariff, Another traveller in England, who nsed a BT calling card to avoid the mark-up, was caught by a 'facilities charge of 20p a minute. ("What next? A charge for incoming calls after all, they have to be handled by the operator . . . be noted acidly.)

Almost all calling cards come free, with calls billed either to a credit card statement or a separate account (which, in the case of national operators, can often be the bome telephone

As a general rule, European cards are cheaper for intra-European calls, but US cards are cheaper for transatlantic calls. For example, the US carrier Sprint boasts a US-UK tariff on its 'Foncard' which is a fraction that of BT's Chargecard.' For UK travellers, Mercury is cheaper than BT for most long-distance calling-card calls, though BT has wider

international coverage. However, just as the calling card is becoming as essential as a passport, it is being superseded. In May, AT&T launched what it claimed was the first international mail box service for travellers wanting a 24-hour base for receiving and sending ges and faxes wherever

they might be. Called "WorldPlus", the new service gives subscribers a mail box and service centre sed via touch-tone or voice-response.

Telecom Markets is the essential source of regular information about the global telecommunications industry. It provides both hard-to-obtain news and specialist analysis for the professional 23 times each year, and is available only on subscription from the Financial Times.



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towards the management of ners hope that bank notes and coins will be replaced by their personal finance, there are clear epplications, too, for busismart card. nesses users. Companies may be able to manage variable

The Mondex card is like an empty electronic purse which has the ability to download i.e. extract "cash" in the form of an electronic data amount from the user's bank account, either down a permanent or mobile phone line or through a conventional ATM dispenser which is Mondex-compatible.

Used in tandem with the Mondex card is the Mondex electronic wallet, a handheld device, similar in size and eppearance to a pocket organiser, which manages the electronic cash transactions to and from the Mondex card. The user inserts the Mondex card into the Mondex wallet which transfers an electronic casb

amount on to or off the card. The Mondex card uses the sama H8310 family of microchips as is used in GSM smart cards so it will be possible to telebank by connecting a Mondex wallet with the card inserted to a GSM handset so the wallet and bandset are effectively turned into a mobile ATM cash dispenser.

It is conceivable that instead of a mobile subscriber paying for mobile phone calls by conventional means such as by

cheque or direct debit, cellular operators will incorporate Mondex-type capabilities into their SIM cards as another method of paying for mobile telephone calls. Suitably equipped with Mondex card reading equipment, public payphones, retail stores, hotels and many other establishments can use this method of transaction as a substitute for

The benefit to commerce is the eradication of the security risks associated with handling and moving money; the benefits to users are manifold.

Users will need to distinguish between the terms 'multi-service', 'multi-function', and 'multi-application'. One card may have many different functions but be used solely within one closed environment, while another card may operate in many environments but only perform one function.

Between these two is a 'grey area' where a card may have links with different service providers offering the same service - or many different ser-

The commercial onplications of these 'one-to-one, one-tomany and many-to-many permutations are complex and fraught with difficulties. Accountability is certain to be important, and the issues surrounding it have yet to be

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Monica Horten reviews developments in video-conferencing

new technique in distance learning is being pioneered by Boston University in the US. Working with United Technologies Corporation, it has set up the "virtual university" at which some 150 distance learning students attend live video tutorials. Tutor and students watch each other on a computer screen, asking direct questions as they would in

the classroom.
Classes are conducted by the tutors from an electronic speaker's podium, named Socrates. The podium has an overhead slide projector in the normal way, hnt also has a built-in computer screen. The screen displays the video image of the students as well as computer data: charts, lecture notes, maps or a whitehoard. To bring an individual student into view and conduct a personal conversation, the tutor presses a set of controls underneath the screen.

Socrates is a far cry from the office cinema-size video conferencing units of the mid-1980s. It reflects the dramatic advances in video conferencing technology in the past year or so. The average system is small enough to be moved around on a trolley - "roll-about" system is the new industry term.

As costs fall further, a surge in demend for video-conferencing is expected next year

But the latest systems which will appear on the market this year will run on a personal computer. People will be able to run the video conference as part of their

normal computer software. The personal computer systems will be sold as a card which slots inside the PC unit - although some manufacturers are working with video conferencing suppliers to build the technology into their



ncing system -- not merely a "talking heads" approach -- offers video audio, electronic document and computer-linked facilities. The VTEL MediaMax system, prod

global business centres in the past 18 months - has already been important for the growth in sales of roll-about video

CORDLESS PHONES

Ways to cut call failure rates

erencing systems. Vendors such as Picturetel are looking at an increase of 60-70 per cent in sales this year over last year. And Heidi Aghnami predicts a compound annual growth rate in revenue of 103 per cent from video conferencing equipment for the years

1992-1997. Another factor has been the decreasing cost of the hardware. The average roll-about unit costs between £12,000 and £20,000 - reflecting a fall of more than 50 per cent on the £40,000 price tag two years ago. The PC systems will cost hetween £3,000 and £5,000. These are expected to show an even faster increase in sales, with a predicted annual growth rates of 156 per cent in the next three years. Such predictions are attracting new participants - which will sharpen market competition. Azlan, a UK-based network distributor making its first moves to distribute video conferencing, sees increasing demand from its customer base, especially for systems which can link in to local area networks.

Azlan will sell roll-about systems from

Sony Broadcasting - Itself new to video conferencing - and is assessing offerings from pc system suppliers.

Nick Coutts, group strategic marketing director, expects a surge in demand next year when prices have settled down even further - "for all sorts of technology products there is a price point of £2,000 per seat above which it becomes hard to justify. In about 12 months, video conferencing will reach that figure," he says.

Intel, the semi-conductor manufacturer, is introducing a product called ProShare, expecting to launch it later this year. Pro-Share is a PC system which will combine its Indeo video coding software with an ISDN card and a video camera.

But Intel departs from the other suppliers in that ProShare does not use an H 320 codec - the hardware which contains compression/decompression algorithms to enable the video transfer down a tele-phone line. H.320 is the industry standard - and ensures that systems from different manufacturers can talk to each other. "H.320 has been a market enabler," says Steve Gandy, manager of teleconferencing

systems at British Telecom. "It means that customers can buy a system without hav-ing to worty who they are talking to." According to Heidi Aghnami, the non-standard approach is unlikely to succeed in the long term. PC systems will not only be connected to other PCs but to roll-about systems and will need standard communications protectle in order to do

cations protocols in order to do "Intel will have to make a firm decision

to go along with industry standards. Experience has shown that proprietary standards don't work in the long term," says

However, Intel has bought a 10 per cent stake in VTel, based in the US, which supplies H.320 systems of all sizes. Indus-try observers believe this could be a move to get to grips with the standard, without overtly backing it.
The H.320 standard is also being further

advanced by a consortium backed by computer and telecoms industry heavyweights such as AT&T, Hewlett-Packard, BT, GPT, Northern Telecom.

The group focuses on PC systems. It sees a need for the video transmission standard to address personal computer software

Vendors such as Picturetel are looking at an increase of 60-70 per cent in sales this year

applications in a common way, so that customers will be able to transfer data between different software applications across a video conferencing link.

For example, a speaker in a video meeting might want people at the other end to have copies of spreadsheet figures. At the moment it is difficult to achieve, but the new standard - known as the T series - aims to resolve the problems.

ver since the first tele-phone was demonstrated by Alexander Graham Bell in 1876, telephony has been associated with the office

and workplace.
The traditional PABX (private automatic branch exchange) and the hard-wired extension still plays a pivotal role in most offices but in recent years a new hreed of cordless talephone equipment has begun to appear.

Cordless telephones have been available for use in the bome for more than a decade. Generally these simple systems Include a portable bandset which communicates by radio with a fixed base-station which is connected to the public telephone system.

However, in recent years technical advances, particularly the switch from analogue to digital radio transmission, has greatly increased the scope of cordless systems enabling high-capacity systems, capable of serving hundreds or even

be built. The advantages of cordless business systems are easy to appreciate. In particular, workare no longer tied to the desk where the hard-wired telephone sits and incoming calls have a much better chance of

reaching their intended recipi-

ordinary phone call.

A video call needs a minimum of

128Kbits/s for the system and an acceptable picture quality. Ideally it should have

One ISDN call provides 128Kbits/s; two or more calls can be joined together tech-

In the past, users had to employ expensive leased lines, or order a special circuit

from their telephone company for the

duration of the call: these circuits typi-

cally cost ahout £1,000 per bour for a trans-Atlantic call; over ISDN, the cost is

closer to £100. The low cost of ISDN -

which has only become widely available in

nically to provide higher bandwidth.

Surveys have shown that up to two-thirds of all business calls fail to reach their target, in about half these cases the person called is somewhere in the huilding, hut can not be found - European industry spends about £10m a year on on-site paging and PA systems in an attempt to alleviate the problem.

Cordless systems can reduce

the call failure rate substantially, improving efficiency and customer satisfaction while cutting the cost of returned

Ericsson, the telecommunications equipment manufacturer, claims that cordless business system customers can save up to 30 per cent of their bills as a

In addition, cordless systems can save on running costs. Most organisations running medium-sized or large PABX systems spend around 10 per cent of the capital cosy of the system on rewiring and other reconfiguration operations.

Market analysts have predicted that these advantages will help cordless business systems capture between 20 and 30 per cent of the market hy the turn of the century equivalent to between 15m and 20m telephone extensions. In Europe, alone it is estimated that the market could be worth

Systems manufacturers such as GPT Communi-cations Systems, a joint venture between Germany's Siemens group and Britain's GPT, tend to be more cautious suggesting that cordless systems could take between 10 and 15 per cent of the market by the year 2000.

Either way, there are several obstacles to overcome - in particular there are two main competing cordless business system technologies, CT2 (Cordless Telephony 2) and Dect (Digital European Cordless Telecommunications.) CT2 was the first digital

cordless technology to be developed in the UK during the 1980s and has been adopted as an interim European standard. It is the same technology used for Telepoint services in Europe and elsewhere.

GPT Communications Systems and Canada's Northern Telecom bave been supplying cordless office systems based upon CT2 digital technology - BT also supplies re-hadged Northern Telecom Northern Telecom, which is

also developing a Dect system for up to 1,000-users in conjunction with Ollvetti, launched its Companion CT2 cordless business systems in Europe in March last year and has sold over 900 systems in 13 European countries and the Middle East since then and over 2,000 systems worldwide. "We believe that cordless

future PBX markets." said Mr Chris Wade, director of personal communications systems Among recent customers for the Companion system has been Boehringer Ingelheim's French subsidiary. The pharmaceuticals group installed a companion system at its Reims site which bouses 350 employ-

will be a key differentiator in

The system, which has replaced pagers and walkietalkies for mohile employees, has since been expanded and will cover 60 extensions by the end of this year.

ees in a dozen buildings in

CT2's supporters claim it is a proven cost-effective technology ideally suited to small and medium sized offices or sites. Mr David Wright, International Marketing manager for GPT, claims that for most customers the technology itself is irrelevant - "the issue is: which is

going to be cheaper?" he says,

Cordless systems offer big savings for business customers' phone bills

and that will mostly depend on

For the moment, CT2 handsets cost around a third of the price of their Dect rivals. And Mr Wright believes CT2 will continue to have a price advantage, in part because of the adoption of the technology outside Europe, for example in the

Mr Wright says that perhaps surprisingly, customers so far for GPT's iSDX 100 cordless system in Britain have mainly been in the retail and manufacturing sectors, rather than

PLEASE

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PHONES

For example, one High Street retailer has installed cordless systems to enable its managers to return to the shop floor, rather than be stuck in the

Meanwhile, Axis Holdings, a Liverpool-based manufacturer of extruded polythene film and PVC profiles; has installed a cordless system to enable staff to respond quickly to custom-

Systems based on the rival Dect standard, which is backed by ETSI (the European Telecoms Standards Institute) and was designed to solve the problem of providing cordless telephones in high-density busi-

ness environments such as

offices, begun to appear last

The Dect standard has been adopted hy five of Europe's largest telecommunications equipment suppliers - Alcatel, Ericsson, Nokia, Philips and Siemens - which between them represent nearly 70 per cent of the European PABX market.

They argue that Dect systems have significant advantages over CT2, particu-larly for heavy use within large office huildings or for mixed voice and high speed data traffic.

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Ericsson has been one of the most active promotors of Dect systems and launched its Precset system in Europe last autumn although it has been selling similar systems outside Europe for some time:

The Freeset system works as an 'add-on' to a company's existing phone network and comprises three main components: a radio exchange which connects to the host PABX or key-system - or directly to the local telephone exchange in the case of a company using a centrex service; a number of low-powered radio base stations each of which can sup-port up to 12 simultaneous calls, and up to 600 cordless

For larger systems, a number of radio exchanges can be networked together.

Freeset systems have been installed in manufacturing factories, hospitals and offices of the future such as Digital Equipment's futuristic headquarters in Stockholm.

A 160-extension Freeset system has been installed in Dieital's 'Natural Offica' where staff do not have permanent working positions. The system will be expanded to handle 600 extensions this year.

Paul Taylor

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THE VIRTUAL OFFICE

More mobility for staff

ven the greatest fan of information technology (IT) and new working methods would not suggest that the days of the conventional office are

But the rising price of travel and office space and the falling cost of remote computing are challenging business people to re-examine the reason for commnting to work, since many tasks which rely on information processing can be handled just as effectively outside

Often, a job can be performed equally well from home, from a hotel bedroom from a car or from an office hired by the bour at an airport - meanwhile, the person at the other end of the telephone may be unaware that his opposita number is not in a conventional office.

This is the concept behind the 'virtual office.' It is not another expression for solitary teleworking or for working normally from bome and visiting the office once a week - although it may include these practices

The virtual office still generally implies team work as employees of a larger organisation, the essential difference being that information technology removes the need for the business office to be in one fixed

Implicit in this the concept is some degree of computer literacy although staff do not necessarily have to relearn their basic skills. Home and mobile phones can be programmed to dial straight into the employer's internal phone system, while desktop and portable computers can also be programmed as 'virtual nodes,' meaning that users can log on to shared company computer systems exactly as if they were in the office and connected directly into the local area network.

No additional user techniques are required so the user is 'at work' as soon as he or she picks up the phone or switches on the computer. Affordable digital ISDN phone lines and easier-to-use software make loggin on to corporate networks simple, with

barely any delay detectable. Computers, photocopiers, fax machines and laser printers have also all shrunk In size and price, allowing companies to equip their employees at moderate cost with compact, powerful office technology that fits into any small room.

The isolation of the virtual office can be a drawback and many employers who favour this system ensure that staff visit the corporate office regularly

The US sets the pace in virtual office systems, with more than 25m people working from home

to keep in touch and to reinforce the feeling of belonging to a team. In cases where eye-to-eye contact is felt to be important, videophone ology from BT and others may become an increasingly affordable solution, although it could prove a poor substitute for genuine human

There is no shortage of lively contact In many virtual office jobs, however. Sales people, for example, spend most of their time out meeting customers; and customer support staff spend much of the day on the phone. Mothers may 'telework' part-time while tending their young families. For these people, the move to the virtual office concept means

no real change to their lifestyle. The US sets the pace in virtual office applications, with more than 25m people working from home. A leading dome appliance company no longer requires

to work, instead they stay at home. Their employer equips each worker with a company phone and computer, linked to the corporate database by ISDN digital telephone line.

Customer calls to the support line are directed automatically to an agent sitting at home who can log into the company database to check parts, numbers and prices, arrange for parts to be sent. or credit cards to be debited and even process refunds

Few would suggest that the virtual office will supplant the habitat and structure of office life as we know it. nor would its exponents claim its methods would suit all kinds of operation. But for certain tasks and nations where staff normally work without constant supervision and have no pressing need to visit an office daily, the virtual office will become an increasingly viable, cost-effective and desirable way to work.

The convergence of low-cost computers and telecoms has made it possible to set up video conference calls, work on designs and pass files backwards and forwards without ever leaving home. The key is the ISDN telephone i available in the UK from BT and Mercury. This allows computer data to be transfered by phone. The concept is called multimedia communication

and all leading computer hardware and software suppliers have products available. For example, in the UK, Flextel in Sendbach has introduced a transferable phone number – users acquire a fixed phone number that does not alter when they move location. The system

'translates' this number to their real

Andrew Emmerson

